SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2005 Report
Volume 3

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

SASKATCHEWAN

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November 25, 2005

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2005 Report – Volume 3*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2005 Reports

In 2005, our Office issued seven other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our web site at:
  http://www.auditor.sk.ca/
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
- write, phone, or fax us at:
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  1500 Chateau Tower
  1920 Broad Street
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2004 Financial Statements of CIC Crown Corporations and Related Entities: April 2005*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2004 Calendar Year: April 2005*
- *Report to the Standing Committee on Public Accounts Regarding the Department of Environment: May 2005*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2005 Report – Volume 1 (June 2005)*
- *Annual Report on Operations For the Year Ended March 31, 2005 (June 2005)*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: Understanding the Finances of the Government: 2005 Report – Volume 2 (September 2005)*
- *Business and Financial Plan For the Year Ended March 31, 2007: As Presented to the Standing Committee on Public Accounts: November 2005*

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with March 31, 2005 year-ends. Our 2005 Report – Volume 1 covers mainly agencies with December 31, 2004 year-ends.

For the most part, the 130 agencies covered by this report have adequate practices to manage risks to public resources. That is, the agencies have sound practices to safeguard public resources and have complied with the laws governing their operations. Also, most agencies published reliable financial statements. However, serious problems exist at some agencies. The Government needs to fix these problems.

Also, many government agencies continue to improve their public accountability.

Part A of this chapter highlights issues concerning risk management and accountability for several government agencies covered in this report. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to effective government services and the ability to pay for those services. The key forces and trends affecting the Government include advancing technologies, economic constraints, globalization, pressures on the environment, and population changes.

Government agencies that are managed well have good governance practices. They have a clear plan of what they want to do, they determine the risks that may prevent them from carrying out their plan, and they have strategies to reduce their risks. They also monitor their progress in achieving their plan.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources.

Under the headings of economic constraints, advancing technologies, and pressure on the environment, I highlight some of my Office's work related to these key forces and trends.

Economic constraints

The demand for public services continues along with the demand for lower taxes. Good governance and supervisory practices help agencies respond to these pressures.

Many of our findings in this report relate to poor or improper use of public resources when agencies do not carry out their duties effectively. For example:

- some boards of directors have not set direction or properly monitored the actions of senior management
- some agencies need to improve their written practices to better safeguard public resources
- some agencies have good written practices for safeguarding public resources, but employees do not always follow them
- some agencies have not adequately carried out their duties to supervise agencies that are accountable to them

Chapter 2—Health reports on the Department's progress in reorganizing the way the Government delivers health services. On August 1, 2002, the Department began to consolidate the activities of 32 district health boards into 12 regional health authorities. The Department and the authorities have made good progress to date. We recommend several improvements to help the delivery of effective health services. These improvements include:

- To ensure effective delivery of services, we recommend the Department clearly set out its expectations for services and health outcomes for the authorities. It then needs to monitor the authorities' performance and take corrective action when necessary.

- We also recommend that the authorities' boards set performance targets for their authorities, monitor performance, and take corrective action when necessary.

We set out six measures to help legislators and the public assess the sustainability of health spending in Saskatchewan. A sound understanding of the health system's finances is important for an informed debate about the issues facing the health system. These issues include the affordability of services and the maintenance of the health system's infrastructure. One of the measures shows that health spending is growing faster than the provincial economy and the consumer price index.

We report that the Department's practices for overseeing spending of community-based organizations that it finances have improved. The Department needs to make sure that these organizations use public money only to deliver agreed-upon services. We report on the actions the Department has taken as a result of the special investigation that we did on a community-based organization called the Métis Addictions Council of Saskatchewan Inc.

Chapter 3—Learning reports that the Department needs to improve its practices over student aid and provincial training allowances. To qualify for assistance, students must meet a financial needs test. The Department needs to do more to ensure that people receiving assistance are entitled to it.

Chapter 4—Community Resources and Employment reports on how the Department must continue to improve its supervisory practices to ensure employees follow prescribed practices. In Volume 1 of our 2005 Report, we reported that the Department incurred a loss of about $1 million. An employee misused public money that was intended for social assistance payments.

The Department provides financial help to people who meet a financial needs test. The Department has good written practices to help ensure only eligible people receive aid. We report that employees are improving their compliance with those practices, but more work is needed to ensure that the people receiving assistance are entitled to it. We also report the Department is improving its child protection practices.

Chapter 7—Liquor and Gaming Authority reports that the Authority has improved its supervision of Saskatchewan Indian Gaming Authority Inc. (SIGA). We made several recommendations in 1999 and 2000 to improve Liquor and Gaming's supervisory practices. Those recommendations are now implemented.

Those recommendations relate to setting spending policies for SIGA, auditing SIGA's compliance with the policies, and the timely recovery of spending that does not comply with the policies. We report that Liquor and Gaming audited SIGA's compliance with spending policies for the year ended March 31, 2005. Based on information available, it identified spending of about $1.2 million that did not comply with the policies or was considered unreasonable. Liquor and Gaming has not yet recovered any of the identified spending.

We also report a loss of $247,000 at two liquor stores. Employees did not follow prescribed procedures that would have detected the loss of money earlier and reduced the size of the loss. Liquor and Gaming needs to better supervise its employees to ensure they comply with policies.

SIGA has made good progress in preparing written policies to control its spending. However, SIGA needs to better supervise employees to ensure they comply with those policies. SIGA spent money on marketing, promotion, salaries, and sponsorship that did not comply with approved policies.

When SIGA misspends, the full amount of the misspending is not available for First Nations communities.

Chapter 12—First Nations and Métis Relations reports on the management of money the Department provides to community development corporations and the First Nations Trust Fund. The Department's practices are improving. However, much more work is needed to ensure the money these organizations receive is used for the intended purpose and is properly safeguarded.

Advancing technologies

Advances in information technology have a large impact on the risks at government agencies.

Computer systems and networks bring new risks to the security (i.e., accessibility, integrity, and confidentiality) of information that agencies use to manage. For information to be accessible, agencies must have plans to operate if their systems fail.

Chapter 8—Information Technology Office reports on the services the Office delivers to government departments. The Office has begun to deliver computer services to government departments that were previously delivered by those departments. The consolidation of computer services is intended to reduce costs, improve security, and improve services to the public.

The success of the Office depends on reliable and secure service to the departments. The Office has good practices to deliver services. However, the Office needs to better document its relationship with departments.

Chapter 5—Finance reports on a new system the Department is building to manage the Public Employees Pension Plan and the Capital Pension Plan. The development of the system has two phases. The first phase will provide better management of members' accounts. The second phase will allow members Internet access to their account information.

We audited the Department's project management practices for phase one. We make recommendations to improve practices for the development of phase two.

Chapter 2—Health reports on a planned in-depth audit of the payroll system the Saskatchewan Association of Health Organization (SAHO) uses to pay employees of regional health authorities and other health care agencies. SAHO prepares the payroll for 37,000 people. We will report on the security, integrity, and availability of the system in a future report to the Assembly.

Chapter 2—Health, *Chapter 4—Community Resources and Employment*, *Chapter 7—Liquor and Gaming Authority*, *Chapter 13—Justice*, and *Chapter 17—Board of Internal Economy* report these agencies need to prepare good business continuity plans. These agencies may be unable to deliver services, lose essential information, or incur increased costs if they have a major disruption and cannot resume operations in a timely way.

Pressure on the environment

Chapter 6—Environment reports on the Department's practices for regulating the quality of drinking water. The Department is the primary agency responsible to carry out the Government's Safe Drinking Water Strategy.

The Department's practices are adequate with two exceptions. The Department needs to better document its quality control reviews of water inspections and complete its required follow-up procedures on water tests.

Government accountability

My Office continues to focus on improving the Government's accountability to the Legislative Assembly. The ability of the Assembly to hold the Government accountable is key to good government.

Saskatchewan's public accountability system

Chapter 9—Public accountability systems compares Saskatchewan's system to systems used by other provincial governments and the Federal Government. Saskatchewan's system compares well with most Canadian jurisdictions. In certain respects Saskatchewan is a leader. For example, it has published cross-government strategies,[1] performance plans, and annual reports.

We also point out opportunities to improve Saskatchewan's system. For example, Saskatchewan should publish performance targets in public plans and reports. This would give legislators more information to understand and assess the performance of government agencies.

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[1] The Government publishes performance plans and annual reports for the Safe Drinking Water Strategy and Kids First Strategy. These strategies focus the priorities of several government agencies to achieve a common objective.

Chapter 10—Managing for results reports on how well the Department of Corrections and Public Safety and the Department of Highways and Transportation manage their activities to achieve desired outcomes for the public's benefit.

These departments generally have good management practices to manage for results. The departments should improve how they monitor their progress towards achieving results. We also set out some good practices for government departments to use as they work towards managing for results.

Public plans and annual reports

The Department of Finance issues guidelines for improving plans and annual reports incrementally each year. It bases the reporting guidelines on the most current Canadian principles for annual reports in the public sector. The guidelines are based on a publication by CCAF-FCVI Inc. We encourage all government agencies to use these guidelines to improve their reports.

Chapter 11—Public plans and annual reports assessments reports our assessment of the 2005 public performance plans and annual reports of 16 government agencies. These agencies have generally complied with the Department of Finance's guidelines.

The plans and reports of these 16 agencies provide more information than they did previously. Legislators and the public now have better information to judge the performance of these agencies. We will continue to monitor how agencies improve their performance plans and annual reports.

Acknowledgement

The dedicated efforts of the staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Bailey, Brendan
Bernath, Eric
Borys, Angèle
Clemett, Tara
Dayman, Michelle
Deis, Kelly
Dickin, Deann
Drotar, Charlene
Duran, Jason
Emond, Candice
Ferguson, Judy
Grabarczyk, Rod
Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Hungle, Angie
Kahovec, Steven
Knox, Jane
Kress, Jeff
L'Heureux, Desirée
Lindenbach, Michelle
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Martens, Andrew
Montgomery, Ed
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Nyhus, Glen
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Rybchuk, Corrine
Schell, Doug
Schiller, Rita
Schwab, Victor
Shaw, Jason
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Thomson, Nathan
Thorson, Angela
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Wandy, Jason
Watkins, Dawn
Wendel, Leslie
Zerr, Jennifer

Compilation of main points

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Chapter 2—Health

Part A of this chapter sets out the results of our audits of the Department of Health (Health) and its Crown agencies. Health needs better reports from regional health authorities (RHAs) to monitor their progress in achieving Health's objectives and to hold them accountable for their annual spending of $1.9 billion. It does not have a capital asset plan to manage its $900 million in capital assets (e.g., land, buildings, and equipment). It needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Health also needs to focus activities of its internal audit where Health is at greatest risk of loss of public money or spending money for unintended purposes.

The Saskatchewan Cancer Foundation (Foundation) needs to complete the setting of the performance targets needed to monitor the Foundation's progress in achieving its objectives. The Foundation also needs to strengthen the preparation, approval, and implementation of information technology processes to ensure the confidentiality, integrity, and availability of information systems and data. It also needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if its facilities or people are unavailable in case of a disaster.

The Saskatchewan Association of Health Care Organizations (SAHO) needs to prepare, approve, and implement written security policies and procedures for its information systems. It also needs a written, tested, and approved information technology (IT) disaster recovery plans to ensure that it can continue to deliver its programs and services if its IT systems are not available.

SAHO also needs to strengthen its processes to ensure that payments made by its insurance carrier for its dental benefits plans comply with its agreements with its insurance carrier and its plan texts. In addition, SAHO needs a written agreement with all healthcare organizations where it provides services.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 RHAs. Boards of directors of the RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

Chapter 3—Learning

The learning sector spends over $2 billion each year to provide pre-kindergarten to Grade 12 education, post-secondary education, technical training, public libraries, and student financial assistance.

The Department of Learning oversees the learning sector including its various partners (such as school boards, universities, regional colleges, public libraries). In its 2004-05 Annual Report, the Department has started to report results against the learning sector plan. Also, it is working with school divisions to re-focus their reporting from activities to results and to help them prepare financial statements using proper accounting policies.

The Department must know if its services achieve the intended results. The Department evaluates its services, but needs to use a department-wide risk assessment to make sure its evaluations focus on high-risk areas.

The Department provides adults with significant financial support (e.g., student loans, provincial training allowances). In prior years, we reported that the Department needs to make sure it provides eligible persons with the correct amount of support. While the Department has made some improvements, more work remains.

The Department provides many individuals and agencies with money. This can place staff in potential positions of conflict. While the Public Service Commission has policies on acceptable conduct, the Department needs to provide its staff with written guidance to help staff avoid conflicts-of-interest.

The Department has taken some steps to address our 2004 recommendations about its capital construction processes. It has adjusted its processes to get more information before and during construction. It plans to make further changes to better document and track risks related to major capital construction projects. It expects these changes will help it identify risks earlier and monitor the capital construction better.

Chapter 4—Community Resources and Employment

The Department of Community Resources and Employment (DCRE) needs to strengthen its rules and procedures (processes) to ensure that it spends public money only for the purposes intended by the Legislative Assembly. DCRE needs to continue to strengthen its processes:

- to ensure that only eligible clients receive social assistance and that they receive the correct amount of assistance
- to ensure that it protects children and that payments to care givers are authorized
- to improve its assessment of the CBOs' progress in achieving DCRE's operational objectives

DCRE needs to focus the work of its internal auditor on the activities where DCRE is at greatest risk of loss of public money or spending money for unintended purposes.

DCRE needs a business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. Also, it must strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of information systems and data.

We have observed that DCRE is working diligently to implement our recommendations and to improve its performance.

Chapter 5—Finance

The General Revenue Fund's (GRF) 2005 financial statements are not reliable because Finance used accounting practices that are not in accordance with Canadian generally accepted accounting principles for the public sector. They do not report the GRF's pension liability of $4.1 billion, and understate pension costs by $120 million. The financial statements also inappropriately report a $383 million transfer to the Fiscal Stabilization Fund as an expense and $44 million as loans receivable from Crown corporations.

We have significant concerns with the GRF financial statements because the Government uses the GRF's annual surplus or deficit as one of its key performance indicators. The Government now presents a summary financial plan for the entire Government as part of the Budget and Performance Plan Summary. We encourage the Government to report on its performance using this summary financial plan together with its summary financial statements, rather than using the GRF statements.

Finance needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster.

We note that while some pension plans administered by Finance have improved their governance processes, others have made no significant progress in improving their governance processes.

We also report on the Public Employees Pension Plan (Plan). The Plan needs to improve its information technology security policies. As well, the Plan had difficulty implementing its new computerized pension administration system on time, because it did not adequately document the project's risks or management's plans to reduce these risks.

As well, we report that the performance information reported by Finance in its *Annual Report 2004-2005* is reliable and understandable.

Chapter 6—Environment

In our 2005 Report – Volume 1 and prior reports, we made recommendations for the Department to improve its processes to safeguard public resources. The Department has not fully addressed these recommendations. Accordingly, the control deficiencies we reported in those reports continued during 2005. Also, in 2005 the Department did not prepare complete and accurate financial statements as required by the *Financial Administration Manual*.

In 2005, we examined the Department's processes to regulate the quality of drinking water. Access to clean and safe drinking water is essential for public health and well-being. The Department is the agency primarily responsible to carry out the Government's Safe Drinking Water Strategy that includes action plans to deal with the risks related to drinking water.

We concluded that the Department had adequate processes to regulate the quality of drinking water, except that it needs to document its quality control reviews of waterworks inspections and follow up water quality monitoring results.

Chapter 7A—Liquor and Gaming Authority

In this chapter, we report the results of our audit of the Liquor and Gaming Authority (Liquor & Gaming) for the year ended March 31, 2005 and our investigation of alleged misuses of money at two liquor stores.

Liquor & Gaming completed its audit of SIGA's expenses for the year ended March 31, 2005 and based on the information available identified expenses totalling nearly $1.2 million that Liquor & Gaming considered unreasonable or did not comply with approved policies. However, it has not yet recovered money from the First Nations Trust Fund as allowed under the 2002 Framework Agreement. Also, Liquor & Gaming needs to:

- control its bank accounts
- prepare an information technology strategic plan, and information technology security policies and procedures
- prepare a complete business continuity plan

Our investigation of alleged misuses of public money shows that Liquor & Gaming incurred a loss of public money totalling at least $247,000 at two of its liquor stores. Liquor & Gaming needs to:

- provide more direction and training to employees to do assigned tasks properly
- ensure compliance with established policies to control its bank accounts
- better communicate critical information amongst its various branches

Improving the above controls would help detect any misuse of public money sooner.

Chapter 7B—Saskatchewan Indian Gaming Authority Inc.

Saskatchewan Indian Gaming Authority Inc. (SIGA) has made good progress to address all of our past recommendations. However, some significant work remains. SIGA has not yet implemented necessary policies and procedures for certain operating areas (e.g., ancillary, marketing, and promotion). Also, SIGA needs to prepare an information technology strategic plan and security policies and procedures for its information technology.

While SIGA's compliance with approved policies improved in 2004-05, it needs to do more to ensure its employees understand and follow the approved policies. SIGA incurred expenses that did not comply with approved policies. Staff and management did not always follow the approved policies relating to delegation of authority, supporting payments for travel, business expenses, marketing, promotion, and sponsorship. SIGA can help ensure compliance by staff and management by providing more training, and clear written guidance to staff on how to do their assigned tasks. Also, SIGA must foster a culture of compliance with rules by promoting zero tolerance for non compliance.

We also report that SIGA's consolidated financial statements for the year ended March 31, 2005 are reliable.

Chapter 8—Information Technology Office

The mandate of the Information Technology Office (ITO) includes developing, promoting, and implementing policies and programs of the Government of Saskatchewan relating to information technology (IT) and information management. At March 31, 2005, it had adequate rules and procedures to safeguard public resources and complied with authorities governing its activities.

The ITO has begun to deliver IT services that were previously delivered by individual Government agencies. At September 30, 2005, the ITO delivered IT services for 10 agencies and is in discussions with others.

Our audit examined whether the ITO has adequate processes to manage the delivery of agreed-upon IT services to clients. To adequately manage the delivery of IT services, we expected the ITO would:

- establish service delivery processes
- implement service level agreements with clients
- manage ongoing service delivery

The ITO has established service delivery processes to enable it to consolidate IT functions while serving clients on an ongoing basis. The ITO has adequate processes to manage delivery of IT services, except in the following two areas.

The ITO needs to sign service level agreements with its clients before delivering IT services. Service level agreements describe the responsibilities of the ITO and its clients, including the services provided and delivery targets. Signed service level agreements help the ITO and its clients understand their responsibilities.

The service level agreements do not adequately identify security and disaster recovery requirements for the ITO and its clients. The ITO should sign agreements with its clients that include security and disaster recovery requirements. We note that the ITO has begun to sign agreements (charters) with its clients that address security requirements.

Chapter 9—Public accountability systems

In this chapter, we compare Saskatchewan's public accountability system to systems used by other provincial governments and the Federal Government. A sound public accountability system consists of agreed-upon business and financial plans between the Government and the Legislative Assembly (Assembly), reliable reports prepared by the Government for the Assembly, and reasonable reviews of Government plans and reports by the Assembly.

Saskatchewan's accountability system compares well with those of most Canadian jurisdictions. In certain respects, Saskatchewan is a leader by:

- formally adopting the CCAF's principles for the preparation of public plans and annual reports for departments
- publishing key sector plans and reports for most cross-government strategies
- publishing a broad spectrum of information on who receives public money and the amounts
- permanently referring annual reports to standing committees of the Assembly for review.

Opportunities for Saskatchewan to improve its public accountability system include:

- publishing an annual Government-wide report that shows the Government's progress in achieving its planned results and costs for the Government as a whole
- disclosing performance targets in public plans and annual reports and reporting on capacity to manage key risks and achieve stated objectives
- enacting accountability legislation setting out the key elements of the Government's public accountability system

Chapter 10—Managing for results

During 1999-2005, the Government invested public resources to guide department managers to change their management processes. Managers were asked to focus on results—both actions and outcomes. We anticipate this change will occur at varying rates across government and within departments.

We audited the results-based management processes of two leading departments to identify how they focus on results. We appreciate the full co-operation given to us by the Department of Corrections and Public Safety and the Department of Highways and Transportation.

We found these leading departments had increased their focus on results. Both departments use some innovative management processes. Both continue to experiment to gain perspective on their planned outcomes. We concluded that as of August 31, 2005, these two departments had adequate processes to achieve planned results except for monitoring results. We recommended both departments improve their processes to analyze and report quarterly to executive managers the departments' progress toward planned outcomes.

To support further progress, we set out some of the key steps that could help any agency improve its performance management processes.

Chapter 11—Public plans and annual report assessments

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and certain other agencies. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles. These guidelines should enable government agencies to effectively report their progress in achieving their plans.

We assessed the public plans and annual reports of departments, three Crown agencies, and two cross-government strategies for the year ended March 31, 2005. The plans and annual reports contain most of the current requirements of the Department's reporting guidelines. The plans and reports provide more performance information than they did previously and thus enhance public accountability.

Chapter 12—First Nations and Métis Relations

The Department of First Nations and Métis Relations was created October 1, 2004. It assumed programs previously delivered by the former Department of Government Relations and Aboriginal Affairs.

The Department provided certain First Nations organizations with $30.6 million in 2004-05 under the 2002 Framework Agreement. The Agreement restricts how this money must be managed and spent. These restrictions help ensure First Nations people benefit from this money. Since 2003, we have raised concerns that the Department does not do enough to make sure this money is spent as required by law. During its first six months of operations, the Department has made some progress, but more work remains.

Further, the Department is taking steps to make its information for the Aboriginal Employment Development Program more consistent and reliable. The Department needs to inform the public of its progress in meeting its short- and longer-term targets for the participation of Aboriginal people in the workforce.

Chapter 13—Justice

In this chapter, we set out the results of our audits of the Department of Justice (Justice) and the agencies it manages for the year ended March 31, 2005.

We found that Justice had adequate processes to safeguard public resources and ensure compliance with the law, except as follows.

Justice needs to improve its processes to track, enforce, and collect fines. Justice does not know if it has enforced all fines and charges. As a result, Justice may not achieve its goals of safer communities and upholding the rule of law.

Justice needs to segregate the duties of employees of the Local Registrar offices and Administrative Services Branch to safeguard resources from misuse.

Justice also needs to complete and implement its business continuity plan.

Chapter 14—Saskatchewan Gaming Corporation

Saskatchewan Gaming Corporation (SGC) needs to comply with its approved policies and procedures related to delegation of authority, purchasing, code of conduct, and employees' performance evaluations.

Also, SGC needs to document and monitor explanations for differences between actual and expected revenues from table games and document and approve an information technology strategic plan.

Chapter 15—Northern Affairs

To help develop businesses in northern Saskatchewan, the Department of Northern Affairs makes loans to eligible persons beginning or operating businesses. For most of the year, the Department did not have a process to ensure it properly approves all loan documents before it makes the loans. Also, we report that the Department does not have a process to ensure it receives and analyzes the borrowers' financial and operating information as required by the loan agreements.

We report that the Department needs to comply with *The Financial Administration Manual* when it receives money in the mail and pays honorariums to members of its Environmental Quality Committee. The Department did not ensure that the two people who open the mail signed the records and did not ensure that it reconciled the cash received to the bank deposit.

During the year, the Department compensated government employees who served on its Environmental Quality Committee. These employees were not eligible for compensation. Near the year-end, the Department stopped compensating government employees serving on its committee.

Chapter 16—Agriculture, Food and Rural Revitalization

In this chapter, we report the results of the audit of the Department of Agriculture, Food and Rural Revitalization (Department) and the special purpose funds and agencies for which it is responsible.

For the audits that are complete and where we participated in the audit, we concluded that the financial statements of the Department's special purpose funds and agencies are reliable. The Department and its agencies complied with the authorities governing their activities. The Department and its agencies had adequate processes to safeguard public resources except as noted below.

For the Agri-Food Innovation Fund and the Pastures Revolving Fund, the Department needs to improve its processes to ensure that it maintains accurate financial information to prepare the Funds' financial statements.

Chapter 17—Board of Internal Economy

The Board of Internal Economy (Board) is generally well managed and is complying with the law. However, the Board needs to make further improvements in three areas.

First, the Board needs to complete its business continuity plan to help ensure that it can continue to deliver its vital services in the event of a disaster.

Second, the Board needs to approve the plans and reports it uses to make decisions. The Board should ensure that the reports it receives provide the information it requires to assess performance.

Third, the Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

Chapter 18—Office of the Executive Council

The Office of the Executive Council had adequate processes to safeguard public resources except that it needs to provide the Legislative Assembly with a performance plan and annual report each year. It also needs to develop systems to measure the results achieved for its key performance measures.

We also report that the Department complied with authorities governing its activities.

Chapter 19—Office of the Chief Electoral Officer

The Office of the Chief Electoral Officer plays an integral role in our electoral process. It is important that the public have confidence in our electoral process.

Telling legislators and the public what it achieved compared with what it planned to do will help the Electoral Office to show how well it manages.

The Office of the Chief Electoral Officer needs to make continued improvements to its performance plan and annual report.

Chapter 20—Saskatchewan Property Management Corporation

In this chapter, we report the results of the audit of Saskatchewan Property Management Corporation (SPMC) for the year ended March 31, 2005.

We concluded that the financial statements of SPMC are reliable. SPMC also complied with the authorities governing its activities. It had adequate processes to safeguard public resources except SPMC needs to improve its process to record estimates in its financial statements.

SPMC records significant estimates in its financial statements. These estimates involve complex calculations. SPMC needs to properly document, review, and approve all accounting estimates before recording them in the accounts.

Effective April 1, 2005, SPMC became the Department of Property Management.

Chapter 21—Reporting on infrastructure—follow-up

This chapter describes the status of our 2002 and 2003 recommendations about the adequacy of the information that three government agencies made public about key infrastructure they manage. These agencies are Saskatchewan Transportation Company (STC), Department of Highways and Transportation (Highways), and Department of Property Management (SPM).

STC has fully addressed our recommendation for improved public information. While Highways and SPM have improved the quality of information they publish, further improvements are needed, particularly the public disclosure of targets. We recognize that most of these improvements will occur in conjunction with improvements in performance reporting expected under the Government's Accountability Framework.

Chapter 22—Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations included in the Public Accounts. During its review, the Committee can inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public assets. The Government has fully implemented 91% of the Committee's recommendations. Of the recommendations that are not yet fully implemented 80% are partially implemented.

In the exhibit to this chapter, we set out the status of the Committee's outstanding recommendations and indicate whether the Government has partially implemented them or has not implemented them. Where possible, we also indicate the progress made since our 2004 Report – Volume 1.

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Main points

Part A of this chapter sets out the results of our audits of the Department of Health (Health) and its Crown agencies. Health needs better reports from regional health authorities (RHAs) to monitor their progress in achieving Health's objectives and to hold them accountable for their annual spending of $1.9 billion. It does not have a capital asset plan to manage its $900 million in capital assets (e.g., land, buildings, and equipment). It needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. Health also needs to focus activities of its internal audit where Health is at greatest risk of loss of public money or spending money for unintended purposes.

The Saskatchewan Cancer Foundation (Foundation) needs to complete the setting of the performance targets needed to monitor the Foundation's progress in achieving its objectives. The Foundation also needs to strengthen the preparation, approval, and implementation of information technology processes to ensure the confidentiality, integrity, and availability of information systems and data. It also needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if its facilities or people are unavailable in case of a disaster.

The Saskatchewan Association of Health Care Organizations (SAHO) needs to prepare, approve, and implement written security policies and procedures for its information systems. It also needs a written, tested, and approved information technology (IT) disaster recovery plans to ensure that it can continue to deliver its programs and services if its IT systems are not available.

SAHO also needs to strengthen its processes to ensure that payments made by its insurance carrier for its dental benefits plans comply with its agreements with its insurance carrier and its plan texts. In addition, SAHO needs a written agreement with all healthcare organizations where it provides services.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 RHAs. Boards of directors of the RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

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Introduction

The Department of Health's (Health) mandate is to protect and improve the health of Saskatchewan people. To do this, Health provides policy direction, direct services, and funding to health providers and health agencies.

Government spending on health

For the year ended March 31, 2005, Health received $2.8 billion from the General Revenue Fund for its programs. Health also raised revenue of $24.0 million. Health's annual report contains information about the Department of Health's revenues and expenses (see http://www.health.gov.sk.ca/).

Table 1 shows total health revenues of $3.04 billion by source for the year ended March 31, 2005. Table 2 shows total health costs of $2.99 billion by program for the year ended March 31, 2005. The costs in Table 2 do not include health services paid directly by the Federal Government, nor the costs that individuals and private sector organizations pay directly for health services.

Crown agencies

Health is responsible for the following Crown agencies.

Year-end March 31
12 Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Foundation
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
St. Louis Alcoholism Rehabilitation Centre

Year-end December 31
SAHO Master Trust Combined Investment Fund
SAHO Disability Income Plan–Canadian Union of Public Employees (C.U.P.E.) Fund

SAHO Disability Income Plan–Service Employees International Union (S.E.I.U.) Fund
SAHO Disability Income Plan–Saskatchewan Union of Nurses (S.U.N.) Fund
SAHO Disability Income Plan–General Fund
SAHO Core Dental Plan Fund
SAHO In-Scope Extended Health/Enhanced Dental Fund
SAHO Out-of-Scope Extended Health/Enhanced Dental Fund

Table 1

Health Sector **Revenues** by Source for the year ended March 31
(in millions of dollars)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Revenue Fund	$2,774	$2,516	$2,343	$2,200	$2,076	$1,956	$1,789	$1,677	$1,608	$1,555
Service fees revenue	126	121	113	110	109	99	97	99	95	94
Transfers from other governments	26	28	18	28	23	21	21	19	17	24
Ancillary revenue	17	26	22	20	18	17	16	15	15	15
Donations	16	15	18	15	17	12	16	15	9	12
Investment income	4	5	7	9	11	11	9	9	10	11
Other	74	59	69	43	38	43	55	28	42	26
Total revenues	$3,037	$2,770	$2,590	$2,425	$2,292	$2,159	$2,003	$1,862	$1,796	$1,737

Table 2

Health Sector **Costs** by Program* for the year ended March 31
(in millions of dollars)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Acute Services	$ 1,169	$ 1,063	$ 963	$ 900	$ 824	$ 797	$ 683	$ 627	$ 592	$ 506
Supportive care services	585	554	512	507	482	447	417	389	387	415
Medical services and education	496	455	446	421	401	384	392	384	353	346
Community care services	286	277	305	276	252	235	218	205	189	225
Prescription drugs	212	194	173	156	141	128	115	98	94	93
Provincial health services	175	162	144	136	122	102	97	92	84	98
Central Support Services	44	46	23	21	16	32	22	22	23	18
Other	26	34	44	60	43	38	39	23	52	36
Total costs	$ 2,993**	$2,785	$ 2,610	$2,477	$2,281	$ 2,163	$ 1,983	$ 1,840	$1,774	$ 1,737

Source: *Public Accounts: Volume 2: Details of Revenue and Expenditure* (see http://www.gov.sk.ca/finance/paccts) and the March 31, 2005 financial statements of the RHA Health Boards and other government health agencies.

* Health costs by program have been reclassified to conform with the Department of Health's current expense categories. Prior year numbers have been restated to conform with this new classification.

** The Government's summary financial statements (SFS) for the year ended March 31, 2005 show health costs of $2,943 million, a difference of $50 million from the total health costs in Table 2. This difference is due to: 1) differences in accounting policies for tangible capital assets and inventories; and 2) inter-entity expense eliminations and adjustments within the SFS not recorded in the health costs in Table 2.

Our audit conclusions and findings

We have completed the audits of Health and the Crown agencies listed earlier except for the audits of the Board of Governors, Uranium City Hospital (Board), and SAHO and its benefits plans. The Board and SAHO have not prepared financial statements for the year ended March 31, 2005, and SAHO has not completed financial statements for its benefits plans for the year ended December 31, 2004. Accordingly, we have not completed our audits of the financial statements. We will report the results of these audits in a future report.

Our audit opinions below include the results of Health and other agencies except for our audits of the 12 regional health authorities. These are reported in Part C–Regional Health Authorities of this chapter.

Our Office worked with Deloitte & Touche LLP, SAHO's appointed auditor, on the audits of SAHO for the year ended March 31, 2005 and its benefit plans for the year ended December 31, 2004. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended March 31, 2005:

- **Health and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Health and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matters reported in this chapter**
- **the financial statements for the agencies listed earlier are reliable**

Supervisory controls need improvement

Health needs to strengthen its supervisory controls over regional health authorities (RHAs) and other health agencies.

Health must ensure that RHAs and other health agencies are achieving Health's objectives. To do this, Health needs to supervise the performance of these agencies.

Health's supervisory controls were not adequate in the following areas.

Accountability of Regional Health Authorities to Health

In previous reports, we recommend that Health receive complete and timely information to ensure public money entrusted to the RHAs is used properly.

Health and the RHAs have worked together in recent years to agree on the format of quarterly and annual performance reports that show the RHAs' progress in achieving Health's objectives. The agreed upon reports include a wide range of performance measures. The reports are timely, but contain few performance targets. Performance targets are essential to performance reporting because targets describe the level of desired performance, i.e., quantity, quality, and timing of expected performance.

We reported this matter in previous years. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department of Health receive complete information to ensure that the public money entrusted to RHAs is used properly.

Now that Health is receiving the RHAs' reports, it needs written policies and procedures for monitoring the reports and taking corrective action if needed. Such policies and procedures, approved by senior management, would guide staff in how to monitor the RHAs' performance, how to assess whether progress is satisfactory or needs improvement, and how to take or recommend corrective action if required. Without adequate monitoring of the RHAs' performance, Health's senior management may make incorrect decisions.

1. **We recommend that the Department of Health establish written policies and procedures for monitoring the regional health authorities' performance reports and taking corrective action when required.**

Control of capital assets

Health is responsible for health care in the province. It uses over $900 million of capital assets to deliver health care.

Capital assets include buildings and equipment. A capital asset plan would document decisions intended to ensure that Health has the capital assets required to deliver its services effectively, efficiently, and economically. A capital asset plan would help Health select the capital assets that have the best value and keep them in good working order.

Without a capital asset plan, Health cannot ensure that it has adequate capital assets to deliver essential health services.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Health develop a capital asset plan to help ensure that it can carry out its strategic plan.

After the year-end, Health told us that it is preparing a capital asset plan.

Internal audit needs strengthening

Health needs to ensure that it receives independent information on the effectiveness of its processes to safeguard public resources and ensure that its revenues and expenses comply with the law.

Health needs to focus activities of its internal audit where Health is at greatest risk of loss of public money or spending money for unintended purposes. A risk-based audit plan would help Health assess if its processes are adequate.

2. **We recommend that the Department of Health focus the work of its internal auditor on the activities where Health is at greatest risk of loss of public money or spending money for unintended purposes.**

Rules and procedures for drug payments not followed

Health needs to follow its processes for "exception drug status" (EDS) payments.

Health has adequate processes for approving payments for drugs that are normally ineligible for payment (i.e., EDS). A drug that is normally ineligible for payment may become eligible if it proves to be more effective than the eligible drugs for treating the patient. EDS drugs are often more expensive than eligible drugs. The cost of the EDS Program has risen from $15.4 million in 1998-99 to $59 million in 2004–05.

Physicians, dentists, optometrists, and pharmacists may apply to Health for EDS coverage on behalf of patients. Applicants can submit requests to Health by telephone, mail, or fax. Health's policy is to review the applications to ensure that they satisfy the criteria before approving the drug for EDS coverage. The EDS criteria include the qualifying diagnosis, the patient's medical history, and the ineffectiveness of the eligible drugs on the patient's condition.

The majority of requests for EDS coverage come from pharmacists. Health requires pharmacists to document the physician's diagnosis and compliance with other eligibility criteria for each EDS coverage request. However, in many cases, pharmacists were either not recording the diagnosis or the source of the diagnosis. Health paid for these EDS drugs.

Lack of compliance with Health's processes for EDS coverage could result in unauthorized and unnecessary drug payments. In addition, we are unable to determine whether all drug payments have adequate authority.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Health ensure pharmacists follow its processes for "exception drug status" payments.

Accounting policies not consistent with GAAP

In March 2005, the Minister of Health signed capital project agreements for 2006 with Regional Health Authorities for $11.9 million. The agreements do not allow Health to pay for construction until the RHAs have done the work.

The Financial Administration Act, 1993 (FAA) allows Health to record expenditures only when it has received goods or services or when the eligibility and performance requirements have been met. Nonetheless, Health recorded costs of $11.9 million for capital construction not done.

Health did not give the RHAs this money. Health recorded an equivalent amount as a grant payable. Health thinks its practices comply with the FAA and Canadian generally accepted accounting principles (GAAP). This is consistent with the direction provided to Health by the Provincial Comptroller.

We think the FAA and GAAP require public agencies to expense grants when the receiving organization has met the eligibility requirements (i.e., as construction is done). When public agencies approve grants for a future period, GAAP requires them to record the grant expense in the period in which the receiving agencies use the grant. Had Health followed our interpretation of the FAA and GAAP, Health expenditures would be reduced by $11.9 million and its grants payable would be decreased by an equivalent amount.

This difference of opinion also exists regarding the accounting for this construction revenue by the Regional Health Authorities. Health determines the financial statement format for RHAs. Health originally instructed all RHAs to record the 2006 construction grants as revenue in 2005.

We discuss this matter on page 80 in Part C – Regional Health Authorities of this chapter.

We reported this matter in previous reports. In June 2004, PAC recommended that the Department of Health "follow the accounting procedures as laid out by the Provincial Comptroller."

The Canadian Institute of Chartered Accountants (CICA) is currently examining accounting standards concerning government transfer payments (grants) to clarify principles for recording grants because current standards do not provide sufficient guidance. The CICA project is not finished. We are awaiting further clarification from the CICA.

Business continuity plan required

Health needs a written, tested, and approved business continuity plan (BCP)[1] to help ensure that it can continue to provide critical services in the event of a disaster.

Health's critical services include providing medical services through the regional health authorities and the province's doctors, administering the Saskatchewan Prescription Drug Plan, providing provincial laboratory services, operating the Health Information Services Centre to support the operations of the regional health authorities, and the provision of emergency services in the event of a health emergency.

Health must provide these services, even if a disaster disrupts its ability to operate and provide services in the usual manner. Without an adequate business continuity plan, Health is at risk of not being able to provide critical services.

To prepare an adequate business continuity plan, Health should:

- ensure management supports the plan. Management should make the required resources available to create and maintain the business continuity plan.

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[1] **Business Continuity Plan** (BCP)—Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP)—Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

- design the plan using a threat and risk assessment. This would include identifying and ranking its critical services.
- include plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of critical services.
- document the plan, have management approve it, and make it easily accessible when the plan needs activation.
- test the plan initially and on an ongoing basis.
- include policies for ongoing maintenance and updating of the plan.

Health does not have a complete business continuity plan. Health has recently developed and approved a Business Continuity Planning policy. The policy outlines who is responsible for developing, implementing, and maintaining the BCP and outlines the key activities required for business continuity planning. The policy also requires coordination of Health's BCP with key partners including the regional health authorities, other government departments, the federal government, etc. As well, Health has drafted interim notification procedures that it will follow in the event that an emergency occurs before it has completed its full BCP.

Health has also documented some parts of a business continuity plan. For example, it has documented emergency services procedures that would be used in the event of a disaster in a Saskatchewan community or a health emergency. However, it has not yet developed or documented all of the key components of a business continuity plan.

3. **We recommend that the Department of Health prepare a complete business continuity plan.**

Management told us that while they do recognize the need for a BCP for Health, they consider the development of emergency plans to be more critical. They have developed extensive emergency plans that they can use in the event of an emergency relating to health, such as a pandemic, water quality problems in a particular community, or an accidental toxic leak. Health has completed its development of its emergency plans and will now begin developing a BCP.

Métis Addictions Council of Saskatchewan Inc.

Introduction

The Métis Addictions Council of Saskatchewan Inc. (MACSI) provides addictions services on behalf of Health. In 2004-05, Health gave MACSI $2.4 million for its services.

MACSI is incorporated under *The Non-profit Corporations Act, 1995*. MACSI is not a Crown agency as defined in *The Provincial Auditor Act* and is not subject to an audit by our Office. In 2004, we accepted a special assignment to audit MACSI as requested by Order in Council 111/2004.

We reported the results of our audit in our Chapter 2E of our 2004 Report – Volume 3. We found that:

- money paid to MACSI by Health during the period June 2001 to February 18, 2004 was not used appropriately, was not fully accounted for, and was not properly disposed of in accordance with the terms and conditions of the funding agreements
- MACSI did not maintain essential records, and rules and procedures to appropriately safeguard and control the money it received from Health during the period April 1, 1998 to February 18, 2004
- Health's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes
- Health did not always take prompt and appropriate action to remedy all significant problems it knew, or should have known, about MACSI's operations during the period April 1, 1998 to March 31, 2003

We made nine recommendations for MACSI and four recommendations for Health.

Our follow up

We enquired, through Health, if Health and MACSI had implemented our recommendations. We also examined written control policies and procedures that Health and MACSI have established to address our recommendations.

Our recommendations for MACSI

The interim Board of MACSI has adequately addressed our recommendations except as follows.

Recommendation 3. We recommend that the Board establish a long-term strategic plan, and annual business and financial plans for the Métis Addictions Council of Saskatchewan Inc.

The interim Board established an annual business plan and annual financial plan for the 2004-2005 fiscal year. The interim Board decided to defer establishing a long-term strategic plan for the agency until a permanent Board was established. Due to the delay in setting up a permanent Board, Health told us the interim Board plans to develop a strategic plan during the 2005-06 fiscal year.

Recommendation 5. We recommend that the Board provide governance training for its members.

Health told us that members of the Board will receive governance training when a new permanent Board is established. A comprehensive training manual is being developed which will fully inform Board members of their responsibilities and the expectations of their role.

Recommendation 6. We recommend that the Board periodically assess its own performance.

Health told us that processes for regular review of Board performance will be addressed as part of long-term strategic planning.

Recommendation 8. We recommend that the Board ensure all signing officers are bonded (i.e., insured against theft or fraud).

Health is in the process of determining if it is cost effective to require small community-based organizations (CBOs) to obtain insurance. Health also now requires CBOs to ensure signing officers and other key personnel obtain police record checks prior to assuming positions of trust within the CBOs. Health thinks this will help prevent losses of public money.

Recommendation 9. We recommend that the Department of Health work with MACSI to determine the amount that the former executive committee members of the board of directors owe MACSI and try to recover the money.

Health told us it is considering recovering the money in two ways: 1) by restitution order, if a court determines that money was taken through criminal wrongdoing, or 2) by civil action, if other moneys were spent improperly but not illegally. Health will seek legal advice on the likelihood of recovering any funds once the outcome of the RCMP investigation is known.

Our recommendations for Health

Health has addressed our recommendations except as follows.

Recommendation 10. We recommend that the Department of Health strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include:

- doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance
- identifying objectives and performance measures for each CBO
- reviewing each CBO's performance reports routinely
- carrying out regular on-site assessments of high risk CBOs
- attending board of director's meetings of high risk CBOs

Health has developed a preliminary risk assessment tool to identify high-risk CBOs. The tool is not yet adequate to determine the nature and extent of monitoring required for each CBO. Health is identifying objectives and performance measures for each CBO and reviews each CBO's performance routinely. For MACSI, Health is carrying out regular on-site assessments and attending board meetings.

Health told us it is in the process of refining the risk assessment tool and expects to be using it by the 2005-06 fiscal year. Once complete risk assessments are done, Health will consider the need for on-site visits and attendance at Board meetings of those CBOs identified as being high-risk.

Saskatchewan Cancer Foundation

The Saskatchewan Cancer Foundation (Foundation) conducts research, education, prevention, early detection, treatment, and supportive care programs for the control of cancer in Saskatchewan. The Foundation had revenues of $62.2 million in 2005 and held assets of $43.7 million at March 31, 2005.

Setting direction and monitoring performance

Board needs to complete the setting of performance targets

The Board has made progress in setting the direction and monitoring the performance of the Foundation. The Board has developed a strategic plan to direct management in conducting research, education, prevention, early detection, treatment, and supportive care programs for cancer control in the province. The plan outlines the expected results (objectives). The Board has determined performance indicators useful in monitoring progress. The Board has set long-term targets for some objectives.

Management has translated the strategic plan into an operational plan, with specific activities, measures, and some short-term activity-based targets to measure success.

Performance targets help define what successful achievement of an objective is, help measure progress towards achieving the objective, and can aid in prioritizing objectives when an entity has limited resources and capacity. The Board has set some performance targets.

Without Board set targets for each key indicator, management may not know if it is focusing the Foundation's scarce resources correctly and effectively to meet the Board's strategic objectives and priorities. Also, without reporting actual performance against key targets, the Board may not know if its objectives are being achieved according to its plan.

4. **We recommend that the Board of the Saskatchewan Cancer Foundation complete setting the performance targets needed to monitor progress in achieving objectives.**

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate rules and procedures to safeguard public resources.

We note the following instances where the Foundation's rules and procedures were not adequate to safeguard public resources.

Information technology processes need to be strengthened

The Foundation needs to strengthen the preparation, approval, and implementation of information technology (IT) processes to ensure the confidentiality, integrity, and availability of information systems and data.

IT processes help ensure vital information is protected, accurate, complete, authorized, and available. IT processes should be based on a formal threat and risk analysis. A threat and risk analysis would allow management to identify the processes it needs to protect systems and data.

The Foundation has implemented some IT processes. For example, the Foundation has defined how it grants or removes access to its systems. Also, the Foundation has processes for making changes to the systems. The Foundation has not completed a formal threat and risk assessment and therefore is at a risk of not identifying all processes needed to protect its systems and data.

Without adequate IT processes, the Foundation risks the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

5. **We recommend that the Saskatchewan Cancer Foundation complete a formal threat and risk analysis of its information technology to ensure its processes are adequate to protect its systems and data.**

Business continuity plan needed

The Foundation needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if its facilities or people are unavailable or if its IT systems fail.

We described the key elements of a business continuity plan earlier.

6. **We recommend that the Saskatchewan Cancer Foundation prepare a complete business continuity plan.**

Others matters

Improper use of assets

During the audit, management told us that an employee misused the Foundation's assets.

The Foundation has determined that approximately $2,000 in cash donations was stolen and not recovered at the Saskatoon Cancer Centre. Due to lack of controls over these donations, we are unable to determine if additional money was stolen. An employee is suspected of collecting donations from the public, altering tax receipts, and pocketing the collected cash. Management has reported this matter to the police and advises us that controls are being enhanced to further reduce the risk of this situation reoccurring.

Saskatchewan Association of Health Organizations

The primary business of Saskatchewan Association of Health Organizations (SAHO) is to provide leadership, support, and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan. Its members are the various healthcare providers within the Province. The largest members are the regional health authorities.

SAHO also provides administrative services for various employee benefit plans used by its members. The employee benefit plans include disability income plans, dental plans, extended health plans, and life insurance plans. SAHO is the central policyholder of the dental, extended health, and life insurance plans and the administrator of the four disability income plans on behalf of its membership and the applicable unions.

For the year ended March 31, 2005, the SAHO had total expenses of $13.3 million (unaudited), an annual operating surplus of $13,300 (unaudited), and held assets of $21.9 million (unaudited).

The SAHO Master Trust Combined Investment Fund holds the SAHO Disability Income Plans' investments. For the year ended December 31, 2004, this fund had investment income of $5.3 million (unaudited), and held net assets of $68 million (unaudited).

For the year ended December 31, 2004, the SAHO Disability Income Plans had the following financial results (unaudited):

	Revenue	Expense	Increase (decrease) in Net Assets	Assets	Liabilities
			In thousand's		
Disability Income Plan–C.U.P.E. Fund	$7,995	$8,847	($852)	$18,359	$21,315
Disability Income Plan–S.E.I.U. Fund	$8,502	$8,957	($455)	$18,890	$20,720
Disability Income Plan–General Fund	$6,497	$4,011	$2,486	$16,445	$18,184
Disability Income Plan–S.U.N. Fund	$6,742	$5,492	$1,250	$16,918	$19,896

For the year ended December 31, 2004, the SAHO Dental Plans had the following financial results (unaudited):

	Revenue	Expense	Increase (decrease) in Net Assets	Assets	Liabilities
			In thousand's		
SAHO Core Dental Plan Fund	$12,606	$12,998	($392)	$10,486	$2,824
SAHO In-Scope Extended Health/Enhanced Dental Fund	$22,509	$24,877	($2,368)	$9,699	$4,671
SAHO Out-of-Scope Extended Health/ Enhanced Dental Fund	$2,250	$3,138	($888)	$326	$1,148

Audit findings

Verification of compliance with insurance agreements and plan texts needed

SAHO needs to strengthen its processes to ensure that payments made by its insurance carrier for its dental benefits plans (i.e., Core Dental Plan, In-Scope Extended Health/Enhanced Dental, Out-of-Scope Extended Health/Enhanced Dental) comply with its agreements with its insurance carrier and its plan texts. Plan texts are documents that, for example, set out rules for contributions and benefits.

Some benefit plans choose to do their own administration and make payments under the terms of the plans. In these cases, benefit plans have the supporting documentation (i.e., claim forms) to monitor and verify that payments are made in accordance with the plan.

Some benefit plans choose to contract with others (i.e., insurance companies) to provide administration and payment services on their plans' behalf. These benefit plans need processes to ensure payments follow the terms of the agreements with the insurance company and the plan texts.

For its dental benefit plans, SAHO has contracted with an insurance company to provide administration and payment services. SAHO receives monthly reports from the insurance company that shows activity for the month (i.e., amounts received, amounts paid, number of claims). SAHO, however, does not verify that the insurance company has complied with the terms of the agreements and the plan texts. SAHO does not receive and review claim forms given to the insurance company by healthcare workers to make a claim. Nor does SAHO (or an independent representative) go to the insurance company each year to review the claim forms and the process for making payments. As a result, SAHO does not know if payments made by the insurance company for SAHO's dental benefit plans complied with the agreements between SAHO and the insurance company and the plan texts. Therefore, SAHO may pay more for claims than required resulting in less net assets for future plan needs. Also, SAHO may agree to higher premium rates with the insurance company than needed to operate the plan.

7. **We recommend that Saskatchewan Association of Health Organizations ensure that payments for dental benefits comply with the agreements with the insurance company and the plan texts.**

Service agreements needed

SAHO needs a written agreement with all healthcare agencies where it provides services.

Many healthcare agencies within the Province use SAHO's payroll and benefit plan administration services. No service agreement currently exists between SAHO and each healthcare agency governing each party's role. The service agreements with each healthcare agency should:

- describe the authority and responsibility of SAHO and the healthcare agency.
- describe the services to be provided and their objectives.
- describe the basis for paying for those services.
- require SAHO to periodically report its assessments of the control it has established to achieve the healthcare agency's objectives. These reports should be audited by SAHO's auditor.

8. **We recommend that Saskatchewan Association of Health Organizations make service agreements with each healthcare agency for all the services it provides.**

Security policies and procedures needed

SAHO needs to formally prepare, approve, and implement written security policies and procedures for its information systems.

SAHO needs strong security policies and procedures to ensure that its data and systems are protected. For example, the policy and procedures should clearly identify the rules that staff need to follow. SAHO also needs to define how compliance with security policies and procedures will be monitored and how security weaknesses will be addressed. These should also include staff awareness training that would help ensure staff is informed of security policies, security risks, and privacy issues.

The lack of security policies and procedures has created security weaknesses. For example, SAHO has not set minimum password standards and allows inappropriate access by employees to systems and data. This weakness increases the risk of inappropriate access and the misuse of public money.

9. **We recommend that Saskatchewan Association of Health Organizations prepare, approve, and implement written security policies and procedures for its information systems.**

Information technology disaster recovery plan needed

SAHO needs a written, tested, and approved information technology (IT) disaster recovery plan to ensure that it can continue to deliver its programs and services if its IT systems are not available. SAHO should base the plans on a risk assessment focusing on key programs, systems, and data.

An IT disaster recovery plan should:

- set out the responsibilities of those who are to implement the plan
- include emergency procedures to be used while the system is unavailable
- include steps for the recovery and restoration of the system
- be regularly tested and updated

10. **We recommend Saskatchewan Association of Health Organizations prepare an information technology disaster recovery plan.**

Planned audit of central payroll system

Background

SAHO provides human resource and payroll services to almost all healthcare agencies in the province. SAHO processes payroll for approximately 37,000 people. Last year, the total payroll expenditures from the payroll system exceeded $1.2 billion. The RHAs incur the majority of the payroll expenditures. The RHAs must ensure they have adequate financial controls and reporting. SAHO performs payroll processing on their behalf on a cost recovery basis. SAHO has a Human Resource Management Steering Committee represented by members from the RHAs. The Steering Committee makes recommendations to management of SAHO about changes to the human resource and payroll system (e.g., enhancements).

This section describes our planned audit of the SAHO payroll system. We will include the results of the audit in a future report to the Legislative Assembly.

Our audit objective, criteria, and timing

The objective of our audit is to assess whether SAHO has adequate central controls to secure transactions on the payroll system for the period January 1, 2006 to March 31, 2006. The central controls are SAHO's policies and procedures for ensuring the security, integrity, and availability of the payroll system.

We use criteria to assess SAHO's processes. The criteria are based upon the *Trusted Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants, international standards, literature, and reports of other legislative auditors. SAHO agreed with the criteria.

Our criteria, set out in the Exhibit below, describe the key processes that we expect SAHO to use to secure transactions on its payroll system.

Exhibit 1—Audit criteria for securing the payroll system

To ensure SAHO has adequate central controls to secure transactions on the payroll system for the period January 1, 2006 to March 31, 2006, SAHO should:

1. **Show management commitment to security (governance)**
   - 1.1 Responsibility for security is clearly defined
   - 1.2 A threat and risk assessment has been performed
   - 1.3 IT planning supports security
   - 1.4 Management has approved policies and procedures to secure the SAHO payroll system
   - 1.5 Management monitors security
   - 1.6 Service level agreements set out security, processing, and availability requirements
2. **Protect the payroll system from unauthorized access**
   - 2.1 User access is adequate to protect the payroll system from unauthorized access
   - 2.2 Physical security is adequate to protect the payroll system from unauthorized access
3. **Ensure the payroll system is available for operation**
   - 3.1 System and data backups occur and are tested
   - 3.2 Disaster recovery and business continuity plans are implemented
4. **Ensure the integrity of payroll transaction processing**
   - 4.1 Change management processes exist and are followed
   - 4.2 Computer operation processes exist and are followed

We will use the criteria described in this chapter to carry out our audit of SAHO's controls for securing the payroll system. We plan to report the results of this audit in a future report to the Legislative Assembly.

Selected references

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Financial sustainability of the health system

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Introduction

The Legislative Assembly and the public often ask about the state of the health system's finances. They want to know whether the health system's financial condition is growing stronger or weaker, and why. Also, many want to know where they can obtain the information required to help them make their own assessments.

A sound understanding of the health system's finances[1] is important to an informed debate about the issues facing the health system. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

We report on six financial and economic measures. We modelled the measures after the research report, *Indicators of Government Financial Condition*, published by The Canadian Institute of Chartered Accountants. Each measure can and should be analyzed in detail, combined with other information, and monitored over time. Three of the measures relate to the regional health authorities (RHAs) because they incur most of the health costs.

Performance measures

The measures we report on include:

- total health spending as a percentage of the Province's Gross Domestic Product (GDP)
- total health spending as a percentage of the Government's total spending
- change in health spending compared to change in the Consumer Price Index (CPI) and the Province's GDP

---

[1] We derived information on measures for the health system from the Government's statistical reports, the *Public Accounts 2004-2005: Volume 2: Details of Revenue and Expenditure*, and the annual financial statements of regional health authorities and other health agencies. The fiscal year-end for the Department, the RHAs, and other health agencies is March 31. Because the Gross Domestic Product (GDP) and the Consumer Price Index (CPI) are not available for a fiscal year, we use GDP and CPI statistics for a calendar year in our analysis. For example, the GDP statistic in the 2005 column is for the year ended December 31, 2004. We have not adjusted the information for inflation.

- RHAs' operating surplus or deficit as a percentage of total RHA spending
- RHAs' working capital ratio
- change in the RHAs' capital assets

The health costs we refer to do not include Federal Government spending for Indian and northern health services or the costs that individuals and private sector organizations pay directly for health services.

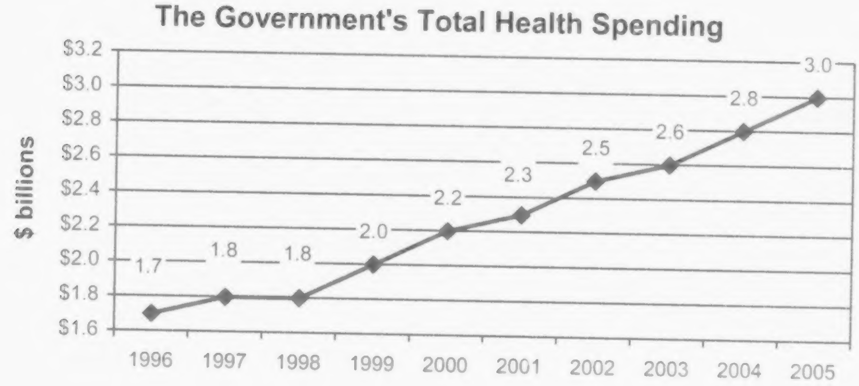
Total health spending as a percentage of the Province's Gross Domestic Product

The first performance measure of sustainability is the total health spending as a percentage of the Province's GDP.

The Province's GDP is a measure of the value of goods and services produced in Saskatchewan in one year. The GDP reflects the size of the provincial economy. If health spending grows faster than the GDP, the economy may not be able to support that level of health care spending unless the Government reduces spending on other programs or increases taxes.

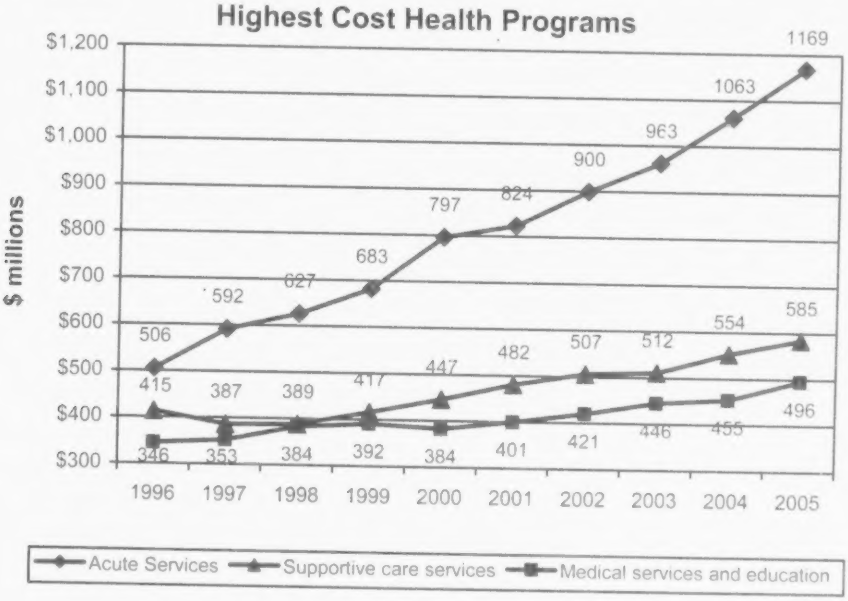
During the past ten years, the Government has increased health spending by 75% from $1.7 billion in 1996 to $3.0 billion in 2005 (see graph below). Over the same period, the Province's GDP increased by 51% from $26.8 billion in 1996 to $40.5 billion in 2005.

Graph 1



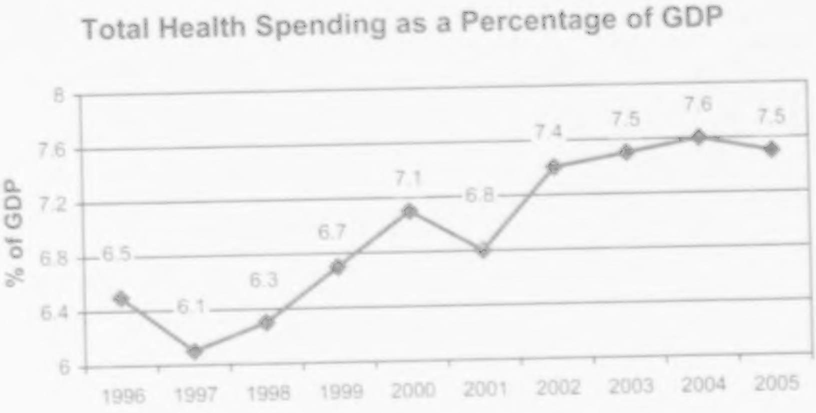
The following graph shows the three highest cost health programs. These programs are acute services (i.e., hospitals), supportive care services (i.e., nursing homes), and medical services (i.e., payments to doctors). Acute services costs have increased by over 130% from 1996 to 2005. The cost of the other two programs increased by more than 40% over the same period.

Graph 2



The following graph shows the trend in the total health spending as a percentage of the provincial GDP from 1996 to 2005 (1996-2004 GDP has not been restated in current dollar terms). By comparing the total health spending to the Province's GDP, the reader can assess the financial demands placed on the economy by health spending.

Graph 3



This comparison shows that since 1996 health spending increased from 6.5% of GDP to 7.5% of GDP in 2005. If this trend continues, the economy may not be able to support the increasing levels of health care spending, unless the Government reduces spending on other programs or increases taxes.

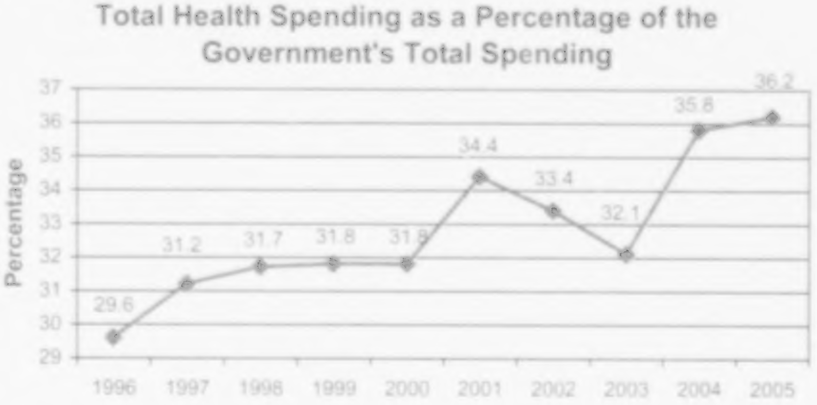
Total health spending as a percentage of the Government's total spending

The second performance measure of sustainability is the total health spending as a percentage of the Government's total spending.

This measure shows the impact that health spending has on spending required to deliver other government programs. The ability to spend a greater percentage on health each year may not be sustainable because of the need to provide other necessary government services.

The following graph shows the trend in health spending as a percentage of the Government's total spending from 1996 to 2005. By comparing health spending to the Government's total spending, we can assess the financial demands health spending places on the Government's total spending.

Graph 4



This comparison shows that from 1996 to 2005, health spending has increased from 29.6% to 36.2% of the Government's total spending. The upward trend in this graph suggests a decrease in sustainability because increasing demands for health care spending is reducing the Government's ability to maintain required spending on other vital programs.

Change in health spending compared to change in the CPI and the Province's GDP

A third performance measure of sustainability is the change in health spending compared to the change in the CPI and the GDP.

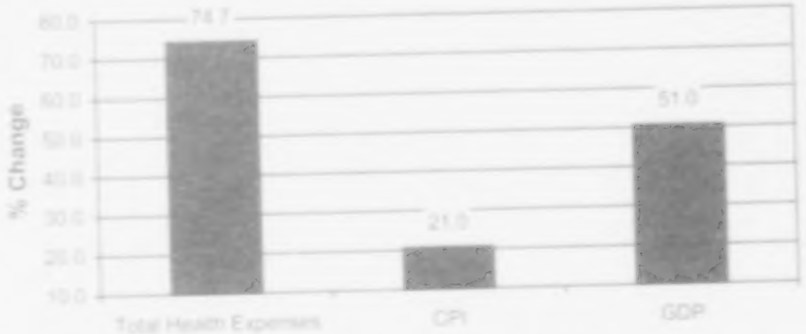
Comparing the change in health spending to the change in the CPI indicates whether health spending has kept pace with inflation. If health spending increases are higher than inflation, this could indicate an unsustainable trend.

Comparing the change in health spending to the change in GDP shows the rate that health spending changed to the rate that the provincial economy changed. If health spending increases are higher than the growth of the provincial economy, this could indicate an unsustainable trend.

The following graph shows health spending is growing faster than the provincial economy and faster than inflation. Because Saskatchewan's economy is vulnerable to changes in commodity prices, interest rates, and the weather, the increases in health spending in recent years may be unsustainable. A downturn in Saskatchewan's economy could require the Government to make difficult decisions on health spending.

Graph 5

Change in Health Spending Compared to CPI and GDP - Percentage Increase from 1996 to 2005



RHAs' annual operating surpluses and deficits as a percentage of total RHA spending

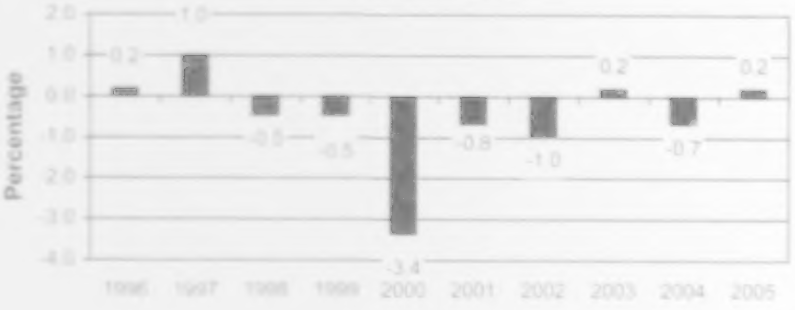
A fourth performance measure of sustainability is the RHAs' annual operating surplus or deficit as a percentage of total RHA spending.

The annual operating surplus (or deficit) shows the extent to which the RHAs have more (or less) operating revenue than operating expenses in a fiscal year. RHAs that are able to run an operating surplus are better able to sustain their capacity to maintain their programs over the long term.

The following graph shows that since 1996, the RHAs fluctuated between having small annual surpluses and deficits with the exception of a relatively large deficit in 2000. If this trend continues, the RHAs should be able to sustain their capacity to maintain their programs over the long term.

Graph 6

RHAs' Operating Surpluses and Deficits as a % of RHAs' Expenses



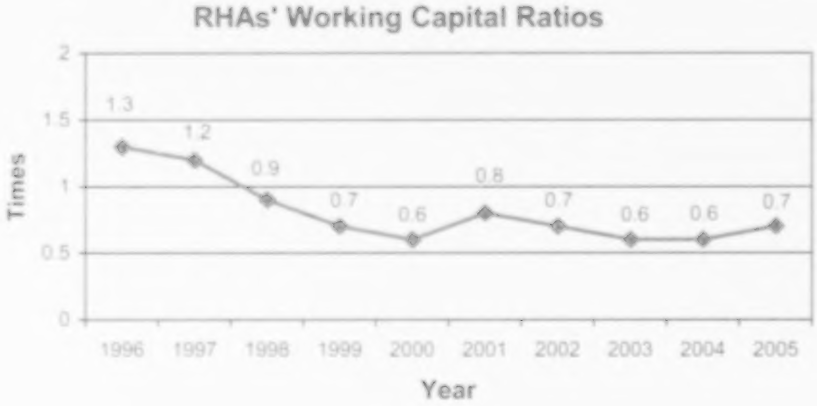
RHAs' working capital ratio

The fifth performance measure of sustainability is the RHAs' working capital ratio.

RHAs calculate the working capital ratio by dividing current assets by current liabilities. This ratio represents the RHAs' ability to pay employees and suppliers on time. Declines in current assets compared to current liabilities may impair an RHA's ability to maintain programs and services.

The following graph shows a downward trend in the RHAs' working capital ratio from 1996 to 2005. The ratio reflects the number of times that current assets exceed current liabilities. At March 31, 1996, the RHAs had an average working capital ratio of 1.3 (i.e., RHAs had 1.3 times more current assets than current liabilities). The average working capital ratio fell to 0.7 in 2005. This means that current liabilities exceed current assets, which could impair the RHAs' ability to pay salaries and other costs on time. If this downward trend continues, more RHAs may experience problems in meeting their current financial debts to suppliers or employees. They also may be unable to maintain existing programs and services.

Graph 7



Change in the RHAs' capital assets

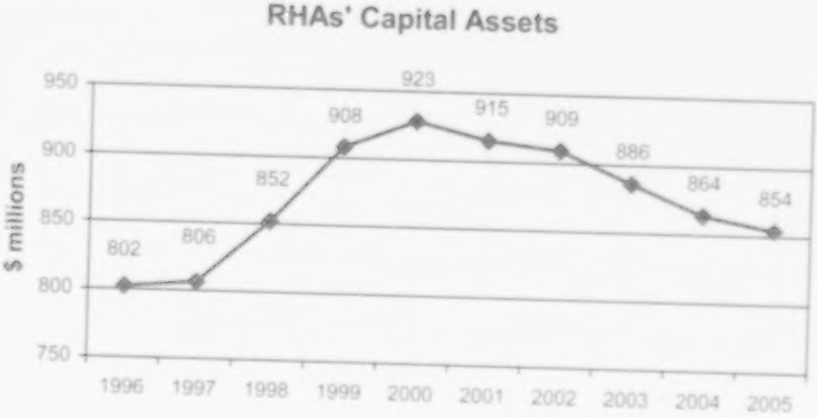
The final performance measure of sustainability is changes in capital assets owned by RHAs.

RHAs use $854 million of capital assets to deliver health services. Capital assets include property, buildings, and equipment. RHAs must properly maintain or replace their capital assets, or risk losing the assets' productive capacity. For example, if RHAs delay making necessary building renovations or replacements, the ultimate costs may be unsustainable. In addition, they face potential future costs to repair, renovate, or replace these assets. These costs may impair their ability to deliver needed services.

Governments and health experts encourage a shift of health services from institutions (e.g., hospitals, nursing homes) to services in the home and community. This shift is resulting in less need for new capital assets and to replace some existing assets.

The following graph shows the trend in total capital assets owned by RHAs. From 1996 to 2005, capital assets have remained fairly constant from $802 million to $854 million. This trend may indicate continued sustainability of the RHAs' services assuming they hold the right capital assets. As described in Part A of this chapter, the Department does not have a capital asset plan to ensure that the RHAs have the right capital assets to deliver health services effectively.

Graph 8



Summary

We encourage legislators and the public to use the above analysis to promote discussion and debate on the state of our health system's finances. We expect that in future years the Department will publish similar information on the financial targets and measures it uses to assess its financial performance. Such reporting would provide useful information on the Department's financial performance.

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Regional Health Authorities

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Introduction

On August 1, 2002, *The Regional Health Services Act* (the Act) created 12 regional health authorities (RHAs). The Act makes the RHAs responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

In 2005, the RHAs had revenues totalling $2.0 billion ($1.8 billion from the Department of Health) and had a combined net gain of $11.6 million. At March 31, 2005, the RHAs held total assets of $1.1 billion. Each RHA's annual report, given to the Legislative Assembly, contains its financial statements.

The RHAs and their appointed auditors are listed below. Our Office audits the Regina Qu'Appelle Regional Health Authority directly.

RHA	Appointed Auditor
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neumann & Neumann
Keewatin Yatthé	Meyers Norris Penny LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Deloitte & Touche LLP
Prince Albert Parkland	Meyers Norris Penny LLP
Regina Qu'Appelle	N/A
Saskatoon	KPMG LLP
Sun Country	Meyers Norris Penny LLP
Sunrise	Parker Quine LLP

Our audit conclusions and findings

We carried out our audit responsibilities for 11 of the RHAs by working with the auditors hired by the RHAs. When we work with other auditors, we follow the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see our web site at http://www.auditor.sk.ca).

In our opinion, for the year ended March 31, 2005:

- the RHAs had adequate rules and procedures to safeguard public resources except where we report otherwise in this chapter

- the RHAs complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except where we report otherwise in this chapter

- the RHAs' financial statements are reliable except where we report otherwise in this chapter

The RHAs' appointed auditors and our Office formed the opinions referred to above with the following exceptions.

- The reports of the appointed auditors of the Five Hills, Heartland, Kelsey Trail, Saskatoon, Sun Country, and Sunrise RHAs did not describe the need for the RHA's Board of Directors to set performance targets or receive regular reports on the RHA's performance. We describe this later under *Setting direction and monitoring performance*.

- The reports of the appointed auditor of the Saskatoon RHA did not describe the need to have an information technology (IT) disaster recovery plan. This is described later under *Information technology disaster recovery plan needed.* Also, the appointed auditor did not report the need for the RHA to have information technology policies and procedures based on a threat and risk assessment. This is described later under *Information technology policies and procedures needed.*

- The reports of the appointed auditors of Sunrise, Sun Country, and Five Hills RHAs did not describe the overstatement of assets and revenues in the financial statements for these RHAs. This is explained later under *Accounting principles not consistent with GAAP*.

When we are unable to rely on the work and reports of appointed auditors, *The Provincial Auditor Act* requires us to do additional audit work. Our additional work consisted of determining the extent that the RHAs overstated their assets and revenues, reviewing the RHAs' accountability reports and IT documentation, and discussing areas of concern with management.

In this chapter, we organize our audit findings and recommendations into three groupings. These groupings reflect important responsibilities of the boards of directors (Boards) in their role of overseeing their RHAs' operations. These are:

- setting direction and monitoring performance
- safeguarding public resources
- ensuring adequate accountability to the Legislative Assembly and the public

Setting direction and monitoring performance

Board needs to set performance targets

The RHAs have made progress in setting the direction and monitoring the performance of the regions. All have adapted the goals and objectives of Health into their own strategic plans. The Boards use the plans to direct management in delivering health services in their region. The Boards have outlined the expected results (objectives). The Boards have set performance indicators to monitor progress.

As described later in this chapter, the RHAs' March 31, 2005 annual reports describe their objectives and the performance indicators used to assess progress in achieving the objectives. The Boards, however, have not yet set performance targets for many of their indicators. We encourage the Boards to request regular reports from management on the RHAs' progress in achieving their objectives and targets.

Performance targets help define what successful achievement of an objective is, help measure progress towards achieving the objective, and can aid in prioritizing objectives when an entity has limited resources and capacity.

Without Board set targets for each key indicator, management may not know if it is focusing the RHA's scarce resources correctly and effectively to meet the Board's strategic objectives and priorities. Also, without reporting actual performance against key targets, the Board may not know if its objectives are being achieved according to its plan.

We reported this matter in previous reports. In June 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that:

- the boards of directors of all Regional Health Authorities set the performance targets needed to monitor progress in achieving their objectives
- the Regional Health Authorities' internal reports to the boards of directors compare actual performance to planned performance

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate processes to safeguard public resources. We note the following instances where processes were not adequate to safeguard public resources.

Control over bank account needed

Prince Albert Parkland Regional Health Authority

Prince Albert Parkland RHA needs to follow its processes to ensure that employees are paid only for work done.

Prince Albert Parkland RHA's processes include requiring supervisors to approve work done by employees before they are paid. Supervisors do not always document their approval of the work done by employees. Documented approvals ensure that the RHA pays employees only for work carried out.

1. **We recommend that the Prince Albert Parkland Regional Health Authority follow it processes to ensure that employees are paid only for work done.**

Kelsey Trail Regional Health Authority

Kelsey Trail RHA needs to improve its controls over its payments to suppliers.

The RHA has not set out purchase limits for employees authorized to order goods and services. In addition, some employees can approve changes to the names of eligible suppliers, approve payments to suppliers, and record payments to suppliers into the accounting system. Also, the RHA does not require payment support to be reviewed in all cases by someone independent of the payment process.

Without independent functions, errors or frauds are less likely to be detected in a timely manner. Management review and approval of payment records ensures that they are accurate and complete. Independent functions are necessary for a strong system of internal control.

2. **We recommend that the Kelsey Trail Regional Health Authority appropriately segregate the duties of employees making payments.**

3. **We recommend that Kelsey Trail Regional Health Authority set purchase dollar limits for employees authorized to order goods and services.**

Mamawetan Churchill River Regional Health Authority

Mamawetan Churchill River RHA needs to follow its established processes for making payments to vendors.

The RHA has adequate processes for purchasing goods and services and making payments to vendors. The processes require the RHA to use purchase orders when ordering goods or services other than regular monthly items such as power, rent, or telephone payments. Purchase orders identify the goods or services to be received, the price to be paid, and provide a way to ensure that proper approvals are received.

Mamawetan Churchill River RHA did not consistently use purchase orders. This could result in unauthorized expenditures. The RHA needs to follow its established processes to ensure public resources are safeguarded.

We also reported this matter in previous reports to the Legislative Assembly. In October 2005, PAC agreed with our recommendation.

We continue to recommend that the Mamawetan Churchill River Regional Health Authority follow its processes for making payments to vendors.

Need for Internal Audit not assessed

Regina Qu'Appelle RHA has not formally assessed the need for an internal auditor.

Large, diverse organizations with complex management systems, such as the Regina Qu'Appelle RHA, need to know if their systems are adequate to ensure the organization is meeting its objectives. An internal auditor can give this assurance to the RHA's Board and management.

An internal auditor can also provide assurance on the reliability of financial reports and the effectiveness of controls to safeguard public resources and ensure that revenues and expenses are authorized and public money is used for intended purposes.

The scope and objectives of an internal auditor depend on the requirements of the RHA's Board and management. The RHA needs to do a risk assessment of its activities to determine where it is at the greatest risk of loss of public money or spending money for unintended purposes. This risk assessment should help the RHA to decide if it needs an internal auditor.

4. **We recommend that the Regina Qu'Appelle Regional Health Authority Board assess whether it needs an internal auditor.**

Written policies and procedures required

Regina Qu'Appelle RHA does not have adequate, up-to-date written policies and procedures to safeguard public resources.

Written policies and procedures provide for the orderly and efficient conduct of business. They also reinforce the Board's delegation of authority and the responsibilities of all staff. Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

The RHA does not have adequate written financial management policies covering budgeting, monthly financial reporting, or year-end procedures. The RHA also lacks documentation of its general accounting policies and procedures.

The RHA's Board needs to ensure that there are written policies and procedures for staff to follow to safeguard public resources and ensure timely and reliable interim and year-end financial reporting. It is important that these policies and procedures be readily available to all staff. A lack of written policies and procedures may create confusion regarding delegation especially when turnover occurs.

While some policies and procedures do exist, many of them are outdated. Regina Qu'Appelle RHA has begun the process of establishing and documenting Board policies. The RHA needs to continue this process until all policies and procedures are documented.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Regina Qu'Appelle Regional Health Authority establish complete written financial management policies, such as budgeting, reporting, projections, and revisions to plans, as well as general accounting procedures.

Capital asset records needed

Three RHAs need better processes to safeguard their capital equipment.

The RHAs use a lot of equipment to provide health services to their residents. To safeguard their equipment, the RHAs should periodically count their equipment and agree the counts to the equipment accounting records. This would help to ensure the records are accurate and complete, and the equipment exists.

Keewatin Yatthé, Regina Qu'Appelle, and Sun Country did not count their equipment. As a result, these RHAs did not know if all their equipment exists and is properly safeguarded. This could also cause the RHAs to make poor decisions for equipment purchases and disposals.

We reported this matter in previous reports except for Keewatin Yatthé. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Keewatin Yatthé, Regina Qu'Appelle, and Sun Country ensure their equipment is safeguarded.

Adequate service agreement with affiliates required

Regina Qu'Appelle and Sun Country's agreements with its affiliates are not adequate to ensure they achieve the RHAs' financial, operational, and compliance with the law objectives.

The RHAs carry out some of their services through affiliates (i.e., privately-owned hospitals and nursing homes). The RHAs' service agreements are adequate except they do not consistently require the affiliates to provide the following reports:

- financial statements prepared using Canadian generally accepted accounting principles
- reports on the processes that the affiliates use to safeguard public resources
- reports on the affiliates' compliance with legislative and related authorities
- reports on the affiliates' progress in achieving the RHAs' objectives

In addition, these reports should be verified by the affiliates' external auditors or by the RHA itself.

The RHAs cannot ensure that their affiliates are achieving the RHAs' objectives because their service agreements do not require the above reports.

We also reported this matter in previous reports except for Regina Qu'Appelle. In October 2005, PAC agreed with our recommendation.

We continue to recommend that the Regina Qu'Appelle and Sun Country Regional Health Authorities strengthen their agreements with their affiliates to ensure they achieve the Authority's objectives.

Disaster recovery plan needed

Seven RHAs need written, tested, and approved information technology (IT) disaster recovery plans to ensure they can continue to deliver their programs and services if their critical IT systems are not available. The plans should be based on a risk assessment that includes a prioritization of key programs and systems.

Although Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prairie North, Prince Albert Parkland, Saskatoon, and Sun Country have processes to back up their systems and data, they have not formalized their processes in a written, tested, and approved IT disaster recovery plan.

An IT disaster recovery plan should:

- set out the responsibilities of those who are to implement the plan
- include emergency procedures to be used while the system is unavailable
- include steps for the recovery and restoration of the system
- be regularly tested and updated

We also reported this matter in previous reports except for Keewatin Yatthé and Prince Albert Parkland. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prairie North, Prince Albert Parkland, Saskatoon, and Sun Country prepare information technology disaster recovery plans.

Information technology policies and procedures needed

Six RHAs need to establish information technology (IT) policies and procedures (processes) to ensure the confidentiality, integrity, and availability of information systems and data.

Cypress, Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prince Albert Parkland, and Saskatoon need IT processes that ensure vital information is protected, accurate, complete, authorized, and available. The RHAs should base their IT processes on a formal threat and risk analysis. A threat and risk analysis allows management to identify the policies and processes it needs to protect its systems and data. For example, the IT processes should identify who is responsible for the security of systems and data, define how access to systems is granted or removed, and clearly identify the rules that staff need to follow. The RHAs also need to define how they will monitor compliance with IT processes and address weaknesses.

Also, the RHAs do not have adequate security awareness plans. Such plans reduce the possibility that staff could unintentionally create security risks that result in losses or disclosure of data. Awareness training would help ensure staff are aware of security policies, security risks, and privacy issues.

Without complete IT policies and procedures, the RHAs risk the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

We also reported this matter in previous reports except for Keewatin Yatthé and Prince Albert Parkland. In October 2005, PAC agreed with our recommendation.

We continue to recommend that the Cypress, Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prince Albert Parkland, and Saskatoon Regional Health Authorities establish information technology policies and procedures that are based on a threat and risk analysis.

Ensuring adequate accountability to the Legislative Assembly and the public

Annual reports need improvement

All RHAs need to improve their annual reports to help the Legislative Assembly (Assembly) and the public to assess the RHAs' performance.

We examined each RHA's annual report for the year ended March 31, 2005. We used the reporting principles and guidelines set out in the Department of Finance's *Public Performance Reporting Guidelines* to assess the annual report.

Health has provided direction that should help the RHAs to improve their accountability to the Assembly and the public. Health has also set guidelines for preparing the annual report. These guidelines have not encompassed all of the reporting principles required by the Department of Finance. Health:

- published its long-term goals and objectives
- developed performance indicators all RHAs must use to assess their progress in achieving Health's objectives
- approved each RHAs long-term plan
- working with the RHAs, has developed guidelines for regular performance reporting to the Minister of Health

All RHAs are complying with these guidelines set out by Health.

All RHAs have made improvements to their annual reports. The annual reports set out the RHAs' goals and objectives for providing services to their residents. The annual reports describe the performance indicators used to assess the RHAs' progress in achieving their goals and objectives.

The RHAs need to continue to strengthen their annual reports. The reports do not disclose adequate information to enable the Assembly and the public to assess each RHA's performance. The annual reports do not describe the RHA's key risks in achieving their objectives or their performance targets to monitor progress in achieving their objectives.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that all the Regional Health Authorities' annual reports include:

- performance targets and actual results compared to plans

- risks to achieving its objectives and how the risks are managed

Accounting policies not consistent with GAAP

In our opinion, the financial statements of three RHAs for the year ended March 31, 2005 are reliable except for the incorrect recording of the RHAs' revenue and assets.

In March 2004, the Minister of Health made agreements with seven RHAs for capital construction to be carried out in the future. Three of the RHAs followed Health's direction and recorded construction revenue from the General Revenue Fund (GRF) even though the RHAs had not done construction entitling them to this money. Also, Health had not paid the RHAs the money.

In our opinion, Canadian generally accepted accounting principles (GAAP) do not permit the RHA to record revenue until it becomes entitled to the money, i.e., carries out the construction. Construction was carried out in the current year. The three RHAs have not recorded revenue appropriately in 2004-05 because they had recorded it last year.

In March 2005, the Minister of Health made agreements with five RHAs for capital construction to be carried out in the future. Again, Health directed these RHAs to record construction revenue from the GRF even though the RHAs had not done construction entitling them to this money. Also, Health had not paid the RHAs the money.

Three of the RHA appointed auditors and our Office think that eligibility requirements must be met before construction revenue can be recorded. Another appointed auditor thinks that the commitment for future grants is sufficient to record the construction revenue. Four RHAs did not record the revenue and their auditors agree with this accounting policy. One followed Health's direction and recorded the revenue, and its auditor agreed with this policy. Health approved the RHAs' financial statements regardless of which policy they chose.

We reported this matter in previous reports. In June 2004, PAC recommended that the Department of Health follow the "accounting position of the Provincial Comptroller's Office."

The Provincial Controller's office told us that it:

> agrees with RHAs recording revenue when amounts are authorized and eligibility criteria are met. However, pending the outcome of the work being conducted by the CICA, the Provincial Controller's office accepted the position of the four RHAs that did not record the revenue.

The Canadian Institute of Chartered Accountants (CICA) is currently examining accounting standards concerning government transfer payments (grants) to clarify principles for recording grants because current standards do not provide sufficient guidance. The CICA project is not finished. We are awaiting further clarification from the CICA.

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Learning

3

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Main points

The learning sector spends over $2 billion each year to provide pre-kindergarten to Grade 12 education, post-secondary education, technical training, public libraries, and student financial assistance.

The Department of Learning oversees the learning sector including its various partners (such as school boards, universities, regional colleges, public libraries). In its 2004-05 Annual Report, the Department has started to report results against the learning sector plan. Also, it is working with school divisions to re-focus their reporting from activities to results and to help them prepare financial statements using proper accounting policies.

The Department must know if its services achieve the intended results. The Department evaluates its services, but needs to use a department-wide risk assessment to make sure its evaluations focus on high-risk areas.

The Department provides adults with significant financial support (e.g., student loans, provincial training allowances). In prior years, we reported that the Department needs to make sure it provides eligible persons with the correct amount of support. While the Department has made some improvements, more work remains.

The Department provides many individuals and agencies with money. This can place staff in potential positions of conflict. While the Public Service Commission has policies on acceptable conduct, the Department needs to provide its staff with written guidance to help staff avoid conflicts-of-interest.

The Department has taken some steps to address our 2004 recommendations about its capital construction processes. It has adjusted its processes to get more information before and during construction. It plans to make further changes to better document and track risks related to major capital construction projects. It expects these changes will help it identify risks earlier and monitor the capital construction better.

Introduction

The Department has overall responsibility for the learning sector. This sector includes programs and services for early childhood development, pre-kindergarten to Grade 12 (K-12) education, post-secondary education, technical training, public libraries, and student financial assistance.

Its responsibilities are set out primarily in *The Education Act, 1995*, *The Department of Post-Secondary Education and Skills Training Act*, and *The Public Libraries Act, 1996*.

Special purpose funds and agencies

The Department is responsible for the following special purpose funds and agencies:

	Year-end
Saskatchewan Correspondence School Revolving Fund	March 31
Saskatchewan Student Aid Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Training Completions Fund	March 31
Prince of Wales Scholarship Fund	March 31
University of Regina	April 30
University of Saskatchewan	April 30
Saskatchewan Population Health Evaluation Unit, Inc.	April 30
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Teachers' Superannuation Commission	June 30

Financial overview

Each year, the learning sector spends over $2 billion. The Government, primarily through the Department of Learning, provides over $1 billion. K–12 school divisions raise about $718 million through local property taxes; and universities raise about $400 million primarily through tuition fees, federal government grants, and sales of services.

As set out below, the Department spent over $1.2 billion in 2004-05.

	Original Estimates[1]	Actual
	(in millions of dollars)	
Administration	$ 5.7	$ 5.3
Accommodation and central services	6.2	6.0
Early childhood development	3.3	3.3
K–12 education	578.8	586.9
Post-secondary education	387.9	450.0
Provincial library	8.5	9.0
Student support programs	71.3	68.9
Teachers' pensions and benefits	119.1	68.7[2]
Training programs	37.5	37.6
Capital asset acquisitions	(5.5)	(4.3)
Capital asset amortization	3.4	3.5
	$ 1,218.4	$ 1,234.9[2]

In 2004-05, the Department had revenues of $59.7 million (2004 - $60.5 million) of which 98% (2004 - 97%) came from the Federal Government primarily for labour market development programs.

The Department's *2004-05 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. Follow the links at www.sasked.gov.sk.ca to view this report.

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[1] Saskatchewan Finance, *Saskatchewan Estimates 2004-05*. The Estimates' total does not include the additional $144.915 million authorized through the *Saskatchewan Supplementary Estimates* for Learning (Vote 5) and special warrant, i.e., Order in Council 123/2005.

[2] The actual amount for Teachers' pensions and benefits is restated from $133.700 reported in the Department 2004-05 Annual Report. The amount is adjusted for the $65 million understatement of pension costs. See section entitled "Pension costs reported incorrectly" for further detail.

Audit conclusions and findings

This section reports the results of our 2005 audits of the Department, the five special purpose funds, three of eight regional colleges (i.e., Carlton Trail, Parkland, and Southeast), SATCC, and SIAST. It does not include the results of our audits of the Teachers' Superannuation Commission or the Saskatchewan Population Health Evaluation Unit, Inc. We have not completed these audits because they have not finalized their financial statements.

In our opinion for the fiscal years ending on or before June 30, 2005:

- **the Department and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **the Department complied with authorities governing its and the above-listed funds' and agencies' activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matters reported in this chapter**
- **the 2005 financial statements of the above-listed funds and agencies are reliable**

Since 1998-99, we audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other five colleges that are not in rotation to provide us with reports that set out the results of their audits. We review these reports and have discussions with related departmental officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

Exhibit 1 sets out the appointed auditor for each agency. We use the framework recommended by the *Report of the Task Force on Roles,* *Responsibilities and Duties of Auditors*[3]. The auditors of the other five colleges did not report any new matters for the colleges they audited.

Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP, Chartered Accountants
Carlton Trail Regional College	E.J.C. Dudley & Co., Chartered Accountants
Parkland Regional College	Skilnick Besler Miller Moar & Co., Chartered Accountants
Southeast Regional College	Cogent Business Consulting, Certified Management Accountants

Also, this chapter contains the status of our two previous recommendations about the Department's capital construction process.

The following sections set out our detailed findings.

Findings—Department

This section includes four new matters and provides an update on previously reported recommendations.

Department-wide risk assessments needed

The Department needs to use formal department-wide risk assessments to help ensure its evaluation activities provide senior management with timely, objective reports on its high-risk areas.

The Department has over 500 full-time employees who work in over 20 branches and 7 regional offices located throughout the province. In addition to providing financial support to educational agencies, it provides a number of training and student support programs.

Senior management of large agencies need to know whether their services achieve the intended results, and its systems of control are adequate and effective. Periodic, independent, objective reviews can provide this assurance. Reviews use systematic, disciplined approaches to evaluate the effectiveness of risk management, control, and governance processes. Typically, reviews focus primarily on high-risk areas. Focusing on high risk areas help ensure the Department receives timely, objective reports to monitor these areas and take timely corrective action, as necessary. Large agencies use agency-wide risk assessments to guide the nature and extent of reviews.

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[3] Find this report at www.auditor.sk.ca/rrd.html.

The Department recognizes the value of objective reviews. It uses systematic approaches to do reviews. It assigns staff not involved in the delivery of services to evaluate its operations. Senior management periodically receive reviews from the following two main sources.

First, senior management receives some information on the effectiveness of its controls from its Quality Assurance Unit. During 2004-05, the unit adopted a risk management framework to help it focus its work plan. It assessed risks facing one part of the Department—student financial assistance. At March 31, 2005, the Unit had not yet applied its risk framework to the entire Department.

Second, senior management receives evaluation reports about the effectiveness of certain policies from the Policy and Evaluation Branch. The Branch evaluates certain policies using a three- to five-year plan approved by the Deputy Minister. Some evaluations are done at prescribed times to comply with federal-provincial agreements. The Department makes these reports publicly available through its web site.

The Department does not formally assess its risks on a department-wide basis. As such, management does not know if its evaluation activities (i.e., reports from Quality Assurance Unit, and Policy and Evaluation Branch) focus sufficiently on all of its high-risk areas.

1. **We recommend the Department of Learning use a department-wide risk assessment to guide the nature and extent of its evaluation activities.**

Reinforcing of appropriate staff conduct needed

The Department needs to provide staff with written guidance to better reinforce appropriate staff conduct.

To protect the public interest and maintain a respectful workplace, staff must understand the conduct expected of them. Policies and supporting guidance help ensure staff understand and avoid situations of conflict. Also, they help ensure staff provide services with integrity and impartially at all times.

The Department's staff is subject to the Public Service Commission's (PSC) policies. PSC's policies provide employees with guidance on appropriate conduct (e.g., oath of office, conflict-of-interest, corrective discipline). Staff can get these policies on PSC's web site.

All staff are responsible to avoid conflicts of interest and to be accountable for their conduct. Agencies must educate their staff about appropriate conduct including consequences of inappropriate conduct. Agencies may need to provide staff with additional written procedures and guidance for specific situations unique to the delivery of their services.

The Department provides many individuals and agencies with money. It has situations unique to its services (for example, handling of applications of relatives and friends). For example in 2005, when the Department looked into a complaint about an employee, it determined the employee handled student financial assistance accounts of related parties (e.g., family members). The Department disciplined the employee for this breach of conduct.

The Department told us that it directs staff not to handle files of related parties. However, the Department had not provided staff with written guidance in addition to the PSC policies to reinforce this direction. Providing guidance in writing helps ensure consistent communication, fosters understanding, and eases monitoring.

2. **We recommend the Department of Learning provide staff with written guidance on situations unique to the Department to help staff avoid conflicts-of-interest.**

Documentation of estimates needed

The Department did not properly review its estimate of the Correspondence School Revolving Fund's (Fund) unearned fees prior to recording the estimate in its financial records.

The Department provides distance educational services for Grade 9 to 12 students through the Fund. The Fund has annual revenues of about $1.5 million of which $1.3 million is from registration and tuition fees.

Each year, the Department estimates the amount of fees that it has received, but has not earned by year-end (because it has not yet delivered the related course). The Department records this estimate in the Fund's financial records. At March 31, 2005, the Fund's financial statements include $442,600 of unearned fees ($407,600 - 2004).

An agency makes estimates when information is not available when its financial reports or statements. Estimates are often more complex and subject to variance than other financial transactions. An agency reviews the reasonableness of significant estimates independent of preparation prior to their approval and recording in financial records.

Reviewers need clear written support to assess the reasonableness of estimates. The agency must clearly document the basis of the estimate. The basis of the estimate should include the following: the method used, key assumptions, the extent these assumptions may be subject to change, and the source of the underlying data.

For the year ending March 31, 2005, the Department had not fully documented the basis for estimating unearned fees. Also, management did not review its initial estimate before recording it in the Fund's financial records. During the audit, we determined the Department's initial estimate of unearned fees was too high by about $178,000. The Department re-estimated the unearned fees and corrected the financial records and statements of the Fund.

When estimates are approved without the proper documentation, the risk that the estimated amount recorded in its financial statements may be incorrect increases.

3. **We recommend that the management of the Department of Learning review written support (including the method, assumptions, and source of key information used to determine the estimate) for all significant estimates prior to recording them in its financial records.**

Fund's financial statements late

The Department did not give the Legislative Assembly the 2004 and 2005 financial statements for the Correspondence School Revolving Fund on time.

Under *The Education Act, 1995*, the Minister of Learning must give the financial statements of the Fund to the Legislative Assembly by July 29th each year (i.e., within 120 days of the Fund's year-end). The Minister provided the 2004 financial statements on September 12, 2004 and at October 31, 2005, had not provided the 2005 financial statements.

Provincial training allowances overpayments

As reported in Chapter 4 of our 2003 Report – Volume 3, the Department continues to need better processes to ensure only eligible persons receive provincial training allowances in the correct amount. The Standing Committee on Public Accounts agreed with our recommendation in June 2004.

During the year, the Department paid out $21.7 million (2003-04: $18.5 million) in provincial training allowances. The Department of Community Resources and Employment reimbursed the Department for $3.6 million of these payments (i.e., payments related bridging-to-employment).

As in prior years, Learning made significant overpayments. It recovered a portion of these overpayments by reducing future payments to recipients, or taking other steps when it was no longer making payments to the recipient. In most cases, the recipients have limited financial resources and recovery of overpayments is difficult.

At March 31, 2005, the Department had not recovered $4.1 million of its overpayments (2003-04: $3.6 million). The Department estimates that it will not recover almost 88% of this amount (2004 - 76%).

In 2004-05, the Department's overpayment experience was higher than it deemed acceptable. In July 2004, the Department approved a maximum acceptable rate of incorrect payments of 5.0% and corrective actions to reduce errors to a maximum rate of 4.0% within 24 months. Nine months later (i.e., at March 31, 2005), the Department determined 5.10% of its total 2004-05 disbursements resulted from overpayments. The Department is determining corrective actions to reduce its overpayments to approved maximums.

We continue to recommend that the Department use procedures that prevent and detect incorrect payments to meet the pre-established rate.

Better reporting of performance needed

Since 1998, our Office has made four key recommendations related to better reporting on performance. The Standing Committee on Public Accounts discussed these recommendations in the past and agreed with them. Exhibit 2 below provides an update on the status of each recommendation.

Exhibit 2

Previous recommendation	Key actions or activity during audit period	Status
We recommend the Department provide legislators and the public with a clear concise description of the accountability relationships between the Department and the key provincial agencies within the learning sector.	In its 2005-06 Performance Plan released in March 2005, the Department improved its description of its relationship with school boards. However, it has not improved its description of its relationship with agencies within the post-secondary education sector. In addition, the level of detail is not yet sufficient for the legislators and public to have a clear understanding of who is accountable for what, to whom, and how.	Partially implemented
We recommend the Department report publicly against its approved sector-wide plan	The *Saskatchewan Learning 2004-2005 Annual Report* reports progress against the 2004-2005 *Learning Sector Performance Plan*.	Implemented
We recommend that the Department work with school divisions and other stakeholders to set requirements for school divisions' reporting on their performance.	Currently, public reports of most school divisions focus on activities as opposed to what they achieved. Working with school divisions and others, the Department is developing a PreK–12 Continuous Improvement Framework that will focus on advancing student outcomes; clarifying roles and responsibilities; and implementing a planning cycle to advance common system-wide and local priorities. It expects to implement the Framework over a three-year time beginning December 2005.	Not implemented

Previous recommendation	Key actions or activity during audit period	Status
We recommend that the Department set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants for the public sector (GAAP).	In late 2004-05, the Department and Saskatchewan Association of School Business Officials (SASBO) agreed that school boards (boards) should use Canadian GAAP to prepare their financial statements. In mid-2005, the Department and SASBO plan to compare the current accounting policies that boards use with GAAP, identify changes necessary, and develop an implementation plan to ensure boards' full compliance with GAAP.	Not implemented

Pension costs reported incorrectly

Due to continued use of accounting policies set by Treasury Board, the Department has not reported its costs of teachers' pensions properly.

The Department follows Treasury Board's policies to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2005 financial statements of the General Revenue Fund[4] and Chapter 5 - Finance, we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

As a result, for the year ended March 31, 2005, the Department understates the amount of teachers' pension and benefit costs reported in its annual report by $65 million (2004 - overstated by $11 million) and understates the amount it owes for teachers' pensions by $2.55 billion (2004 - $2.49 billion).

Findings—Southeast Regional College

Southeast Regional College (College) provides educational services and programs under the authority of *The Regional Colleges Act* (the Act).

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[4] *Public Accounts 2004-05: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund], pp. 11-12.

For the year ending June 30, 2005, the College's financial statements report revenues of $6.4 million, expenses of $6.5 million, and assets of $4.0 million.

Non-compliance with The Regional Colleges Act

The College did not comply with certain provisions of the Act.

In June 2005, the College borrowed $57,924 to buy a vehicle. The Act (i.e., section 21) requires the College to obtain the Minister's approval before it borrows money. In October 2005, the College sought the Minister's approval.

Findings—Student Aid Fund

Background

The Department uses the Student Aid Fund (Fund) to help students finance their education. It does this through providing students with grants, bursaries, and loans.

In 2005, the Fund had revenues of $45.5 million including $32.2 million from the General Revenue Fund and had expenditures of $37.0 million. At March 31, 2005, the Fund held net assets of $15.0 million.

Verification of critical information needed—status of previous recommendation

As previously reported, the Department needs to verify critical information on student loan applications within a reasonable time.

During the year, the Department approved approximately 16,000 student loans (2004 - 16,000 loans) for approximately $60 million (2004 - $59 million). The Department also paid debt reduction benefits[5] to students and incurred other costs of $27 million (2004 - $31 million). These debt reduction benefits and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amount they are entitled, debt reduction and other costs also increase.

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[5] Debt reduction benefits include grants and bursaries, which offset the student loans issued to post-secondary students, based on established criteria.

By not verifying all critical information within a reasonable time, the Department may incur unnecessary costs and may not comply with the provisions of the regulations that govern student assistance. The Department must decide which applicant information to verify before approving loans and which information to verify at a later date. Verifying critical information on student loan applications ensures only eligible students receive aid and that the amount of aid they receive is correct. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

During the year, the Department completed a risk assessment regarding verification of critical student loan application information. The Department thinks two of the types of information not verified have a relatively high risk of significant monetary loss. For these areas, the Department is working with the related government agency to gain access to information. It will use this information to verify the information on the student loan application.

At year-end, the Department was developing processes to verify information on the number of dependants and single parent status. Because the Department did not have processes to verify the above information and it is not practical for us to do so, we are unable to report the extent to which students received incorrect amounts of aid.

We have reported this matter for several years. The Standing Committee on Public Accounts previously agreed with this recommendation in March 2001, April 1999, and December 1996.

We continue to recommend that the Department verify critical information on student loan applications.

Capital construction—follow-up

Background

This section describes the Department's action up to October 2005 on recommendations we made during our 2004 audit of capital construction projects.

In Chapter 13 of our 2004 Report – Volume 1, we reported that the Department had adequate processes to ensure its partners[6] meet the requirements for completing approved capital construction projects with two exceptions. The Department needed to improve how it established requirements for construction projects and how it documents reliable information to monitor the status of projects. Exhibit 3 sets out the criteria we used in this audit. We recommended:

- that the Department obtain from school divisions comparisons of planned and actual costs, and timing by key stage for each approved project
- that the Department document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risks on approved capital projects

In June 2004, the Standing Committee on Public Accounts agreed with the above recommendations.

At October 2005, while the Department has taken steps to address our recommendations, more work remains. The following highlights key steps taken and further steps the Department expects to undertake.

The Department has more clearly assigned to its facilities consultants the responsibility to oversee projects at school divisions and identify risks associated with these projects. The consultants work directly with school divisions.

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[6] Partners include school divisions, University of Regina, University of Saskatchewan, SIAST, and regional colleges.

In August 2005, the Department advised school divisions of changes to its approval processes for K-12 capital projects. The new process will require school divisions to provide information for future projects on their plans along with actual costs to date at each stage (planning, design, and construction) of K-12 major capital construction projects. The Department started to use this new process in the fall of 2005 for certain projects it approved in August 2005. At October 2005, these projects are at the planning stage. Therefore, the Department has not yet used the process to compare actual to planned costs during the design or construction phases of the process.

At October 2005, the Department is developing a project checklist to help it standardize its risk assessment process among its partners. It expects the checklist to help it document the steps taken by each partner and the Department as well as documenting any corrective measures needed.

Exhibit 3

To ensure partners meet requirements for completing approved capital construction projects, the Department's processes should:

1. establish requirements for capital construction projects
2. confirm partner acceptance of responsibilities for construction projects
3. routinely use reliable information on the status of the project
4. address concerns

Source: Chapter 13 of our 2004 Report – Volume 1.

Community Resources and Employment

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Main points

The Department of Community Resources and Employment (DCRE) needs to strengthen its rules and procedures (processes) to ensure that it spends public money only for the purposes intended by the Legislative Assembly. DCRE needs to continue to strengthen its processes:

- to ensure that only eligible clients receive social assistance and that they receive the correct amount of assistance
- to ensure that it protects children and that payments to care givers are authorized
- to improve its assessment of the CBOs' progress in achieving DCRE's operational objectives

DCRE needs to focus the work of its internal auditor on the activities where DCRE is at greatest risk of loss of public money or spending money for unintended purposes.

DCRE needs a business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. Also, it must strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of information systems and data.

We have observed that DCRE is working diligently to implement our recommendations and to improve its performance.

Introduction

The mandate of the Department of Community Resources and Employment (DCRE) is to advance the economic and social well-being of Saskatchewan people. It provides basic income support, housing, child care, career services, and employment programs. DCRE helps vulnerable families care for and support family members. It supports independent community-based services for people with mental and physical disabilities.

The Government's summary financial statements show "social services and assistance" expenses of $821 million for the year ended March 31, 2005.

The following table shows the Government's total spending for social programs and services:

	(in millions of dollars) 2005	2004
Department of Community Resources and Employment	$ 602	$ 604
Saskatchewan Housing Corporation	143	110
Department of Learning	20	20
Department of Government Relations	3	3
Department of Corrections and Public Safety	39	42
Department of Justice	14	13
Total	$ 821	$ 792

DCRE received $602 million from the General Revenue Fund to deliver its programs and earned revenues of $20 million. Information about DCRE's revenues and expenses appears in its annual report (see http://www.dcre.gov.sk.ca).

The following is a list of DCRE's major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Income Support	$ 315	$ 314
Family and Youth Services	65	67
Community Living	78	77
Regional Service Centres	69	69
Child Care	23	23
Accommodation and Central Services	18	18
Other	30	30
Early Childhood Development	4	4
Total	$ 602	$ 602

Special purpose funds and Crown agencies

DCRE is responsible for the following special purpose funds and Crown agencies:

	Year-End
Social Services Central Trust Account	March 31
Saskatchewan Housing Corporation (SHC)	December 31

We reported the results of our audit of SHC in our 2005 Report – Volume 1.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- **the financial statements of the Trust Account are reliable**
- **DCRE had adequate rules and procedures to safeguard public resources except as described in this chapter**
- **DCRE complied with the authorities governing its financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter**

Business continuity plan required

DCRE needs a written, tested, and approved business continuity plan[1] to help ensure that it can continue to deliver its critical services in the event of a disaster.

DCRE delivers several critical services to the residents of Saskatchewan. Its services include providing social assistance payments and emergency funding to people in need. It is also responsible for protecting children from abuse and neglect, supporting families and communities in caring for children, and assisting people facing family violence.

DCRE must provide these services, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, DCRE is at risk of not being able to deliver its services in a timely manner.

To prepare an adequate business continuity plan, DCRE should:

- ensure management supports the plan including making the required resources available to create and maintain the business continuity plan
- design the plan using a threat and risk assessment including identifying and ranking mission critical functions
- include plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key services
- document the plan, have management approve it, and make it easily accessible when the plan needs activation
- test the plan initially and on an ongoing basis
- include policies for ongoing maintenance and updating of the plan

DCRE does not have a complete business continuity plan. It has, however, some parts of a business continuity plan. For example, it has documented emergency social services procedures in the event of a disaster in a Saskatchewan community. However, it has not developed or documented all of the key components of a business continuity plan described earlier.

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[1] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP) - Plans by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of a Business Continuity Plan.

We also reported this matter in previous years. In September 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that DCRE prepare a business continuity plan.

Management has started to develop a business continuity plan.

Information Technology security needs strengthening

DCRE needs to strengthen its security policies to ensure the confidentiality, integrity, and availability of information systems and data.

DCRE needs sound security policies to protect data and systems. DCRE should:

- design the security processes using a threat and risk assessment
- identify who is responsible for the security of systems and data
- define how and when DCRE will grant and remove an individual's access to systems to ensure that no one employee is able to both commit and conceal errors or fraud
- define how it will monitor compliance with security policies and procedures and address security weaknesses

DCRE also needs to have a security awareness plan to reduce the risk of staff unintentionally creating security risks resulting in loss or disclosure of data. Awareness training would help ensure that employees understand security policies, security risks, and privacy issues.

DCRE has recently prepared a vision statement for ideal IT security and is working to improve its IT security. Management had not approved or implemented the draft policies at the time of our audit.

We also reported this matter in our 2005 Report – Volume 1 and our 2004 Report – Volume 3. In June 2005, PAC agreed with our recommendation.

We continue to recommend that DCRE establish adequate security processes for its information systems.

Internal audit needs strengthening

DCRE's audit committee needs to focus the work of the internal auditor on activities where DCRE is at greatest risk of loss of a significant amount of public money or spending money for unintended purposes.

DCRE needs to ensure that its internal auditor can provide it with information on the effectiveness of DCRE's processes to safeguard public resources and ensure that its revenues and expenses comply with the law. A risk-based audit plan would help the audit committee assess if DCRE's processes are adequate.

1. **We recommend that the Department of Community Resources and Employment focus the work of its internal auditor on the activities where the Department is at greatest risk of loss of public money or spending money for unintended purposes.**

DCRE is doing the above risk assessment. It is also hiring a manager of internal audit. We will examine the quality of DCRE's risk assessment and report the result in a future report.

Need to follow processes to protect children

DCRE needs to ensure that it protects children in its care and that it properly authorizes payments to the children's custodians.

DCRE is responsible to promote the well-being of children, youth, and families. DCRE has services designed to protect children from abuse and neglect, support families and communities in caring for children, assist people facing family violence, and adopt children.

DCRE has approximately 1,700 children in foster care and 700 in alternate care. Foster care providers usually do not have any prior relationship with the child. Alternate care providers are extended family members or other persons who have a close connection to the child.

DCRE has processes to place children in its care. If DCRE does not follow its processes, it cannot ensure that the children in its care are safe and that payments to care providers are authorized. For First Nations children living on reserves, DCRE makes agreements with Indian bands (or their agencies) to provide these services on behalf of DCRE. The agreements require the bands to follow processes equivalent to DCRE's processes for children in care.

DCRE did not always follow its processes for the placement of children in its care. Also, it did not ensure that Indian bands followed equivalent processes. As a result, DCRE did not know whether all children in its care were protected or that payments to custodians were authorized. Exhibit 1 shows the results of our audit tests for the past three years on the rate of non-compliance where DCRE provides the services to protect children.

Exhibit 1: Percentage of client files not complying with child protection policies

	2005	2004	2003
No criminal record check*	20%	31%	40%
Inadequate home study	13%	31%	23%
Inadequate contact with children	35%	54%	NA**
No agreement with foster care provider	13%	33%	20%

* Non compliance generally relates to adult non-care providers living in the home
** Audited information not available.

The Exhibit shows that DCRE is improving compliance with its processes, but more progress is needed. DCRE has developed a long-term Quality Improvement Plan (Plan) to improve employees' compliance with its processes for protecting children in care. The Plan does not yet contain targets for the levels of compliance DCRE expects. The Plan, combined with long-term commitment from senior management, should provide a reasonable basis to ensure employees comply with processes to ensure that children in care are protected and that payments to custodians are authorized.

We also reported this matter in our 2003 Report – Volume 3. In September 2004, PAC agreed with our recommendation. We continue to recommend that DCRE follow its rules and procedures to ensure that children in its care are protected and the payments to custodians are authorized.

Saskatchewan Employment Supplement processes need to be strengthened

DCRE needs to strengthen its processes to ensure that only eligible persons receive the correct amount of Saskatchewan Employment Supplement program (SES) payments.

SES gives money to lower income working parents or single parents who receive child support from the absent parent. This money helps to ensure that low-income parents (clients) are better off working than on social assistance. For the year ended March 31, 2005, DCRE paid $18 million to SES clients.

DCRE has rules and procedures for paying SES clients. Clients tell DCRE, usually by telephone, their employment income and family composition when they apply for SES money and monthly after that if there are any changes to their eligibility. Factors such as family composition and monthly income earned affect the amount of money a client is eligible to receive.

The internal auditor regularly audits SES payments to clients. The internal auditor asks the clients to submit documents that verify their employment income and family composition. If, after two written requests, a client does not submit the required documents, DCRE stops making payments to the client.

For the year ended December 31, 2004, the internal auditor reported a 5% overpayment error rate to clients. The internal auditor based this error rate only on clients who provided written evidence to support their reported income. Fourteen percent of clients did not provide the internal auditor this evidence. As a result, overpayments may be much higher than the 5% reported by the auditor.

DCRE has set a target error rate of 4% of total SES payments. DCRE's auditor has determined that the error rate exceeds 4% and has recommended that DCRE strengthen its processes to reduce the overpayments to below 4%. DCRE has not done this yet. Because overpayments exceed 4%, DCRE's processes are not adequate to ensure that only eligible clients received the correct amount of SES payments.

2. **We recommend that the Department of Community Resources and Employment ensure that only eligible persons receive the correct amount of Saskatchewan Employment Supplement.**

Processes for social assistance payments need strengthening

DCRE needs to strengthen its processes to ensure that only eligible persons receive the correct amount of social assistance.

In 2005, DCRE made over 700,000 payments for social assistance totalling $239 million. It must make many of these payments quickly. A client's need for food, clothing, and shelter often require payment that day, or within a few days. DCRE must later verify the client's eligibility for assistance and the amount that was required.

In addition, a client's eligibility for assistance (e.g., living arrangements, levels of income) often changes; this affects the amount of required assistance. If the client does not promptly inform DCRE of such a change, it will make incorrect payments until it reassesses the client's need. DCRE's processes require this reassessment on every client at least once each year.

DCRE needs strong processes to identify incorrect payments, due to error or fraud, after they have been made and to recover any overpayments. In recent years, DCRE has improved its communications to its employees on the importance of its processes and has taken steps to ensure employees understand the intent of the processes. DCRE needs to ensure that employees know they are expected to bring any instances of non-compliance to management's attention. Formal fraud awareness training would help staff to identify and report any instances of non-compliance whether intentional or not.

Exhibit 2 shows the results of our audit tests for the past three years on the rate of non-compliance with DCRE's established processes.

Exhibit 2: Percentage of client files containing inadequate support for payments

Eligibility not adequately documented or incorrectly recorded	2005	2004	2003
Client identification	10%	18%	33%
Needs/expenses	26%	29%	25%
Marital status	1%	8%	13%
Living arrangements	10%	16%	23%
High risk of overpayments (large payments)[2]	0%	7%	19%
Child support[3]	29%	33%	27%

The Exhibit shows that DCRE is improving compliance with its processes, but more progress is needed. DCRE has developed a long-term Quality Improvement Plan (Plan) to improve employees' compliance with its processes for social assistance payments. The Plan does not yet contain targets for the levels of compliance DCRE expects. The Plan, combined with long-term commitment from senior management, should provide a reasonable basis to ensure employees comply with processes to ensure that only eligible clients receive the correct amount of assistance.

DCRE, with assistance from the Department of Finance, is doing a review of all processes for social assistance payments. The purpose of the review is to strengthen processes to safeguard public resources and to ensure that only eligible persons receive the correct amount of assistance.

DCRE is preparing regular reports for senior management and all levels of staff on the rates of compliance with its processes, e.g. accuracy and completeness of applications for assistance and completion of annual reviews of clients' continued eligibility for assistance.

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[2] These are client files that contained large unsupported or suspicious payments with little or no evidence that DCRE had followed up or questioned the payments. These payments include, for example, payments without invoices or receipts; medical payments without any evidence of medical problems; and payments to clients with significant bank balances or other assets.

[3] Clients must pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required to pursue child support from the other parent if obtaining such support is possible.

We reported this matter in prior years. In June 2001, PAC agreed with our recommendations.

We continue to recommend that DCRE follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

We continue to recommend that DCRE improve its records and document its procedures to ensure that custodial parents receiving social assistance pursue child support.

We also reported in our 2005 Report – Volume 1 the need for fraud awareness training. In June 2005, PAC agreed with our recommendation.

We continue to recommend that DCRE train its employees to help establish a culture of fraud awareness.

Community-based organizations

DCRE needs to strengthen its supervision of community-based organizations (CBOs).

DCRE paid about $80 million to over 260 CBOs that provide services for it. Services provided by CBOs include group homes, services to enable people to live in their own homes (who otherwise could not), and early childhood, youth-at-risk interventions, and employment assistance.

We organize our findings on CBOs into three groupings:

- agreements with CBOs
- financial performance reports
- operational performance reports

Agreements with community-based organizations

DCRE's agreements with CBOs need improvement.

Adequate service agreements:

- set out clearly DCRE's financial, operational, and compliance with the law objectives
- require CBOs to report periodically to DCRE on their assessments of the internal controls they have established to achieve DCRE's financial, operational, and compliance with the law objectives
- require CBOs to report to DCRE periodically on the CBOs' progress in achieving DCRE's objectives
- allow DCRE or an independent auditor to verify the CBOs' reports
- describe how DCRE will provide money to the CBOs

For CBOs managing small amounts of public money (e.g., less than $250,000), DCRE could have less stringent reporting requirements than those described above. For smaller CBOs, DCRE could directly monitor and document their performance without requiring formal performance reports from them.

DCRE makes annual agreements with CBOs setting out DCRE's financial and compliance with the law objectives, the right to verify reports received, and describe the basis of DCRE's funding. The agreements need to set out more clearly the CBOs' operating objectives (i.e., what CBOs intend to achieve with the money they receive from DCRE). DCRE is working with CBOs to more clearly define the outcomes the CBOs are expected to achieve.

The agreements require most CBOs (i.e., Community Living CBOs) to report periodically their assessments of the internal controls they have established to achieve DCRE's objectives. The agreements allow DCRE to assess whether the CBOs' controls are adequate.

We commend DCRE for the improvements it has made to the agreements in recent years, but more improvement is needed. As a result of inadequate agreements, DCRE does not know if the CBOs are achieving its objectives.

We also reported this matter in previous reports. In September 2004, PAC agreed with our recommendation.

We continue to recommend that DCRE strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives and requiring CBOs to report periodically their assessment of the adequacy of processes to achieve their objectives.

Financial reports

DCRE needs to ensure that it receives and reviews financial performance reports from CBOs on a timely basis.

Service agreements require the CBOs to provide DCRE with quarterly and annual financial reports including a comparison of actual to budget and an explanation of differences. The service agreements also specify the dates DCRE is to receive the reports.

Many CBOs did not provide the required financial information on time. We examined CBOs that had received funding of at least $250,000 from DCRE. We examined CBO annual reports for the year ended March 31, 2004 and CBO quarterly reports up to June 30, 2004. We found that 46% of the quarterly and 52% of the annual reports were not submitted on time.

DCRE did not do timely reviews of the above noted CBOs' financial reports. Our audit tests showed that 61% of the CBOs' reports were not reviewed by DCRE within six months of the CBOs' year-end. Late reviews of financial reports could result in DCRE not taking timely corrective action.

Because DCRE did not adequately follow its rules and procedures, it did not know on a timely basis if the money provided to CBOs was used for the intended purposes.

Operational reports

DCRE does not know if the CBOs are achieving DCRE's operational objectives.

DCRE requires CBOs to submit annual reports describing their services and activities. However, it does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting DCRE's objectives.

We reported the financial and operational performance reporting matters in previous years. In June 2001, PAC agreed with our recommendations.

We continue to recommend that DCRE ensure all CBOs submit timely performance reports to it as required by agreements.

We continue to recommend that DCRE perform timely reviews on all the performance information submitted by the CBOs.

We continue to recommend that DCRE work with CBOs to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving DCRE's operational objectives.

DCRE is addressing our recommendations. It has engaged a senior official to review existing policies and practices and to develop a long-term plan for strengthening relationships with, and accountability of, the CBOs. DCRE has also established a committee of officials that work closely with CBOs to examine and make recommendations to senior management for addressing operational issues and improving accountability.

Hiring employees

Our 2005 Report – Volume 1 describes how DCRE needs to strengthen its hiring processes to safeguard public money. It also needs to bond or otherwise insure persons involved in the collection, receipt, disbursement, or expenditure of public money.

We also reported this matter in our 2005 Report – Volume 1. In June 2005, PAC agreed with our recommendations.

We continue to recommend that DCRE assess if the standard blanket fidelity bond (insurance) coverage reduces its risk of loss of public money to an acceptable level.

We continue to recommend that DCRE assess the risk of loss of public money by employees in positions of trust (i.e., responsible for the collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).

In September 2005, the Public Service Commission (PSC) announced that all employees responsible for the collection, receipt, disbursement or expenditure of public money as well as all senior managers will require criminal record checks when hired and once every five years while employed. In a future audit, we will examine whether DCRE has followed this new PSC policy.

Finance

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Main points

The General Revenue Fund's (GRF) 2005 financial statements are not reliable because Finance used accounting practices that are not in accordance with Canadian generally accepted accounting principles for the public sector. They do not report the GRF's pension liability of $4.1 billion, and understate pension costs by $120 million. The financial statements also inappropriately report a $383 million transfer to the Fiscal Stabilization Fund as an expense and $44 million as loans receivable from Crown corporations.

We have significant concerns with the GRF financial statements because the Government uses the GRF's annual surplus or deficit as one of its key performance indicators. The Government now presents a summary financial plan for the entire Government as part of the Budget and Performance Plan Summary. We encourage the Government to report on its performance using this summary financial plan together with its summary financial statements, rather than using the GRF statements.

Finance needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster.

We note that while some pension plans administered by Finance have improved their governance processes, others have made no significant progress in improving their governance processes.

We also report on the Public Employees Pension Plan (Plan). The Plan needs to improve its information technology security policies. As well, the Plan had difficulty implementing its new computerized pension administration system on time, because it did not adequately document the project's risks or management's plans to reduce these risks.

As well, we report that the performance information reported by Finance in its *Annual Report 2004-2005* is reliable and understandable.

Introduction

The Department of Finance (Finance) helps the Government and the Legislative Assembly manage and account for public money. Finance controls spending from the General Revenue Fund (GRF) and ensures the GRF receives all revenue due to it. In addition, Finance prepares the Government's summary financial statements.

Finance:

- prepares the annual Budget Address, Estimates, and Public Accounts
- arranges government financing, banking, investing, and borrowing
- provides policy and financial analysis to Treasury Board and Executive Council
- develops tax policy alternatives
- administers various tax, grant, and refund programs
- provides economic forecasting and economic, social, and statistical data
- administers public sector pension and benefit plans
- leads the Government's accountability project

In 2005, Finance spent $1.1 billion and collected revenue of $6.2 billion. Revenue includes $277 million of debt costs recovered from Crown corporations.

It is important that the Members of the Legislative Assembly (MLAs) and the public know the key risks facing a government department. Also, they should receive information on these risks to understand and assess a department's performance. We think sharing our understanding of the key risks will help the MLAs and the public better understand and assess a department's performance.

We identified the following key risks Finance must manage well to be successful. It must:

- give Treasury Board accurate and useful information to enable it to develop, manage, and evaluate the Government's fiscal plan
- publish useful planning and performance reports
- manage the Government's debt
- manage investments
- collect revenues due to Finance
- manage several government pension and benefit plans
- ensure designated government entities comply with Treasury Board directives

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and agencies.

Year-end March 31

General Revenue Fund (GRF)
Fiscal Stabilization Fund[1]
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Judges of the Provincial Court Superannuation Plan

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[1] Finance does not prepare financial statements for this Fund. As required by The Fiscal Stabilization Fund Act, a schedule of transfers and accumulated balance appears in Public Accounts Volume 1.

Year-end December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
SaskPen Properties Ltd[2]

Financial Overview

The following is a list of Finance's major programs and spending for the year ended March 31, 2005. The financial information is from the *Estimates 2004-2005, Public Accounts 2004-05 Volume 1 – Main Financial Statements* (see http://www.gov.sk.ca/finance/paccts) and Finance's *Annual Report 2004-2005.*

	Original Estimates	Actual
	(in millions of dollars)	
Interest-GRF Debt	$ 614	$ 579
Interest-Crown Corporation Debt	280	277
Total Interest on Debt	894	856
Pensions and Benefits	204	205
Administration	40	37
	$ 1,138	$ 1,098

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[2] The Government denied us access to this Crown agency; therefore, we could not audit the agency (see Chapter 8 of our 1999 Fall Report-Volume 2 for further discussion of the matter).

The following is a list of Finance's major revenue sources.

	Original Estimates	Actual
	(in millions of dollars)	
Individual Income Taxes	$ 1,292	$ 1,329
Interest – Crown Corporations	280	277
Sales Taxes	1,016	985
Canada Health Transfer	466	499
Canada Social Transfer	259	263
Transfers – Equalization	443	582
Fuel Taxes	363	361
Corporation Taxes	607	639
Tobacco Taxes	184	187
Income from Government Entities	664	669
Motor Vehicle Fees	127	122
Other	121	306
	$ 5,822	$ 6,219

Our audit conclusions and findings

This chapter contains our audit conclusions and findings on Finance, its special purpose funds, and Crown agencies with years ending March 31, 2005.

The Public Employees Pension Board appointed Meyers Norris Penny LLP, Chartered Accountants as auditor for Public Employees Pension Plan (PEPP). Our Office worked with Meyers Norris Penny using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html/). Meyers Norris Penny did not participate in our audit of the new pension administration system.

In our opinion:

- the Government's summary financial statements included in the Public Accounts 2004-2005 Volume 1 are reliable

- the financial statements for the special purpose funds and agencies listed above that we audited are reliable except for the GRF

- the GRF's financial statements included in the Public Accounts 2004-05 Volume 1 are reliable except that transfers to the Fiscal Stabilization Fund, loans receivable from Crown corporations, and pension costs are not properly recorded

- Finance and its agencies that we audited had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter

- Finance and its agencies that we audited complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matters reported in this chapter

We also report the results of our audit on the performance information reported by Finance in its *Annual Report 2004-2005 and* the findings of our follow-up of audit recommendations on supporting a learning culture.

In addition, the law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2005, the Government approved spending $153.7 million by special warrant. It later included these special warrants in an appropriation act.

GRF financial statements not reliable

Our auditor's report on the GRF's financial statements for the year ended March 31, 2005 warns readers that the financial statements do not include all the Government's financial activities. Therefore, readers should not use the GRF's statements to understand and assess the Government's overall performance. The appropriate financial statements to use for that purpose are the Government's summary financial statements.

In addition, our auditor's report on the GRF's financial statements for the year ended March 31, 2005 includes three reservations. The financial statements are not reliable because they do not properly record transfers to the Fiscal Stabilization Fund, loans receivable from Crown corporations, and pension costs.

The combined effects of these reservations are as follows:

- the transfer to the Fiscal Stabilization Fund of $383 million overstates expenses by $383 million
- transfers to Crown corporations, improperly recorded as loans, understate expenses by $12 million
- pension expenses are understated by $120 million
- liabilities are understated by $4.1 billion, assets by $0.7 billion, and accumulated deficit by $3.4 billion

As well, the financial information reported in Volume 2 of the Public Accounts, 2004-05 and some department annual reports is not reliable because it is based on information reported in the GRF financial statements.

For the reservation related to transfers to Crown corporations improperly recorded as loans, Saskatchewan Agriculture, Food, and Rural Revitalization's 2004-2005 annual report understates crop insurance expenses by $12 million.

For the reservation related to pension expenses, Saskatchewan Learning's 2004-2005 annual report understates expenses by $65 million for teachers' pensions and benefits. Saskatchewan Finance's 2004-2005 annual report understates expenses by $55 million for pension plans managed by the Public Service Superannuation Board.

Fiscal Stabilization Fund reservation

The Government records transactions between the GRF and the Fiscal Stabilization Fund (Fund) as GRF revenue or expense. The substance of the transactions between the GRF and the Fund is that amounts owed by the GRF to the Fund must be repaid to the GRF from the Fund. Canadian generally accepted accounting principles (GAAP) for the public sector do not allow the GRF to record changes in the amounts due to the Fund as revenues or expenses of the GRF. The Government acknowledges that it does not follow GAAP for transfers to and from the Fund.

The GRF's 2005 financial statements show a liability of $749 million owed to the Fund, an increase of $383 million from 2004. The GRF records this increase as an expense. It is not appropriate to record the $383 million as an expense because the Fund must return it to the GRF. Instead of recording an expense of $383 million, the GRF should show an asset of $749 million owed from the Fund.

The effects of not properly reporting this asset are as follows:

- expenses are overstated by $383 million
- surplus for the year is understated by $383 million
- assets are understated by $749 million
- accumulated deficit is overstated by $749 million

The Legislative Assembly created the Fund in April 2000. The Fund's stated purpose is to stabilize the fiscal position of the Government from year to year. However, making transfers from one fund to another, and back again, has no effect on the Government's overall annual surplus (deficit) and accumulated deficit. The Government's total accumulated deficit of $4.4 billion is unaffected. Therefore, the only consequence of recording these transactions in the GRF's financial statements is that the actual amount of the GRF's surplus has been changed to another amount chosen by the Government. This is worrisome because the Government uses the GRF's annual surplus or deficit as one of its key performance indicators.

In previous years, we recommended that the GRF's financial statements should record transfers to the Fund as an asset, not as an expense and any transfers back to the GRF as a reduction of that asset, not as revenue.

In February 2002, the Standing Committee on Public Accounts (PAC) considered this matter and disagreed with our recommendation.

We continue to recommend that the General Revenue Fund's financial statements record transfers to and from the Fiscal Stabilization Fund in accordance with Canadian generally accepted accounting principles for the public sector.

Loans receivable reservation

The GRF's financial assets include loans receivable from Crown corporations of $3.6 billion. In one case, the corporation can only repay the loans due to the GRF if the Government gives it the money from the GRF to do so. GAAP for the public sector requires the Government to record such transactions as expenses and not as loans receivable.

At March 31, 2005, the GRF financial statements include an amount due from Saskatchewan Crop Insurance Corporation that it cannot repay unless the Government gives it the money to do so. The effects of not properly recording this transaction are as follows:

- expenses are understated by $12 million
- surplus for the year is overstated by $12 million
- loans receivable are overstated by $44 million
- accumulated deficit is understated by $44 million

In our 2003 Report – Volume 3, we recommended that the Government account for loans to Crown corporations in accordance with GAAP for the public sector.

In September 2004, PAC considered this matter and agreed with our recommendation but noted that PAC believes that the Saskatchewan Crop Insurance programme should continue to operate as it currently does.

We continue to recommend that the Government account for loans to Crown corporations in accordance with GAAP for the public sector.

Pension costs reservation

GAAP for the public sector requires that pension liabilities be recorded in the financial statements.

The GRF is responsible for the liabilities of several pension funds but does not record these liabilities in its financial statements. Therefore, the

Assembly and the public are unable to properly assess pension costs because the financial statements do not include the GRF's total pension costs for the year or its unfunded pension liability. The financial statements only include the amounts the Government actually paid retired members or contributed to a pension fund that year. The Government acknowledges that it does not follow GAAP for pension costs and liabilities.

The effects of not properly recording pension costs are as follows:

- pension expenses are understated by $120 million
- surplus for the year is overstated by $120 million
- pension liabilities and accumulated deficit are understated by $4.1 billion

In previous years, we recommended that the Government account for pension costs in the GRF's financial statements in accordance with GAAP for the public sector.

In February 2002, PAC considered this matter and disagreed with our recommendation.

We note that Manitoba is the only other provincial government in Canada that publishes financial statements that do not follow GAAP for the public sector for pensions.

We continue to recommend that the General Revenue Fund's financial statements record pension costs in accordance with GAAP for the public sector.

Business continuity plan required

Finance needs a written, tested, and approved business continuity plan[3] to help ensure that it can continue to provide critical services in the event of a disaster.

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[3] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP) - Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

Finance's critical services include controlling spending from the GRF, managing the Government's debt, and collecting all revenue due to the GRF.

Finance must provide these services even if a disaster disrupts its ability to operate and provide services in the normal manner. Without an adequate business continuity plan, Finance is at risk of not being able to provide critical services in timely manner.

Business continuity plans should:

- be supported by management. Management should make the required resources available to create and maintain the business continuity plan.
- be based on a threat and risk assessment. This would include identifying and ranking Finance's critical services.
- include plan activation and notification procedures; emergency procedures that would be used in the event of a disaster; and steps for the recovery and restoration of critical services.
- be documented, approved by management, and made easily accessible when the plan needs activation.
- be tested initially and on an on-going basis.
- include policies for on-going maintenance and updating of the plan.

Finance has documented some parts of a business continuity plan but does not have a complete plan. For example, it has documented and tested a disaster recovery plan for key information systems such as its central payment system. However, it has not developed or documented all the key components of a business continuity plan. For example, Finance needs to identify and rank its critical services and document in a detailed business continuity plan the steps for restoration of critical services such as the collection of the provincial sales tax. Also, Finance needs to ensure it periodically updates and tests its business continuity plan.

1. **We recommend that the Department of Finance prepare a complete business continuity plan.**

Management told us it is working to finalize a complete business continuity plan but believe it would be able to continue providing critical services in the event of a disaster.

Annual pension costs not included in Estimates

In previous reports, we reported that the Assembly and the public are unable to assess pension costs properly because the Estimates do not include the GRF's estimated total pension costs for the year. The Estimates only include the amounts the Government expects to pay retired members or contribute to a pension fund that year.

The effects of not including the GRF's total pension costs in the Estimates for the year ended March 31, 2005 are as follows:

- budgeted operating expenses of $6.1 billion are understated by $128 million
- the GRF's budgeted surplus of $67,000 is overstated by $128 million
- the budgeted accumulated deficit of $5.5 billion is understated by $4.1 billion

In previous years, we recommended that Finance include the GRF's total pension costs for the year in the Estimates.

In February 2002, PAC considered this matter and disagreed with our recommendation.

This matter is important because the Government uses the GRF's budgeted surplus or deficit as one of its key performance indicators. If the budgeted surplus or deficit does not include the total estimated pension costs, it is difficult for the Assembly and the public to assess the Government's performance. As well, the Assembly makes decisions based on the belief that the budget is balanced. The Assembly may make different decisions if the budget included the correct amount of pension costs for the year.

The Government now presents a summary financial plan for the entire Government as part of the Budget and Performance Plan Summary. We are pleased to note the summary financial plan includes total estimated pension costs.

Pension Plan Governance Processes

Finance through the Public Employees Benefits Agency administers a number of pension and benefit plans.

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We recommended that the pension plan boards develop and implement strategic plans, define their responsibilities, define and communicate their financial and operational information needs, and develop and implement communication plans.

In September 2004, PAC considered this matter and concurred with our recommendations.

As part of our 2005 audit, we assessed progress towards improving governance processes for the pension plans. Some of the pension plans have made significant progress in improving their governance processes. However, some plans have not made significant progress in improving their governance processes.

For the Judges of Provincial Court Superannuation Plan, we found that Finance has not yet developed a strategic plan that includes the goals and objectives, a summary of risks faced by the Plan and its members, and the key strategies to manage those risks.

For the Public Service Superannuation Plan, we found that the Public Service Superannuation Board (Board) has not yet developed a strategic plan that includes goals and objectives, a summary of risks faced by this Plan and its members, and the key strategies to manage those risks. Nor has the Board clearly set out specific responsibilities and an educational plan for board members, defined and communicated its financial and operational needs to oversee the Plan, and developed and implemented a written communication plan. Because the Board has not addressed its governance processes, it has not assessed its own effectiveness.

These Plans are significant to Finance, plan members, and the public. The Public Service Superannuation Plan has an unfunded liability of $1.6 billion and the Judges of Provincial Court Superannuation Plan has an unfunded liability of $51 million. These liabilities are the GRF's responsibility.

We continue to recommend that Finance develop and implement a strategic plan for the Judges of the Provincial Court Superannuation Plan that includes its goals and objectives, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks.

We continue to recommend that The Public Service Superannuation Board:

- develop and implement a strategic plan for the Public Service Superannuation Plan that includes the Plan's goals and objectives, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks
- clearly set out the responsibilities of the board including clear delegation of authority and an education plan for board members
- define and communicate the financial and operational information that the Board needs to oversee the Plan
- develop and implement written communication plans
- establish policies for periodic governance self-assessment

Public Employees Pension Plan

The Public Employees Pension Board (Board) is responsible for *The Public Employees Pension Plan Act*. The Board's primary objective is to provide retirement benefits to members in accordance with the law.

The Board manages the Public Employees Pension Plan (PEPP), a defined contribution pension plan.

In 2004-2005, PEPP received contributions of $65 million from employees and $69 million from employers. It also earned investment income of $123 million and the market value of its investments increased by $123 million. At March 31, 2005, PEPP held assets of $3.3 billion. PEPP's Annual Report included its audited financial statements.

IT security policies and procedures need strengthening

PEPP needs to prepare, approve, and implement information technology (IT) policies and procedures for granting, removing, and monitoring user access to systems and data.

PEPP needs IT policies and procedures to ensure vital information is protected, accurate, complete, authorized, and available when needed. It also must monitor user access to ensure only authorized users access systems and data.

PEPP has no written policies and procedures for granting or removing access to vital information and programs. PEPP also does not have written procedures to monitor who has access to what systems and if that access is still appropriate. When staff has no clear guidance for granting, removing, and monitoring user access, there is a higher risk of unauthorized disclosure of information, reliance on incomplete and inaccurate information, and the loss of vital information.

2. **We recommend that the Public Employees Pension Plan approve and implement information technology policies and procedures for granting, removing, and monitoring user access.**

New pension administration system

PEPP is replacing its existing computerized pension administration system. PEPP expects that the new system will improve the allocation of earnings to members, allow for more investment options, and allow members direct access to account information via the Internet. PEPP also expects that the new system will increase processing efficiency.

Planned implementation is in two phases. Phase 1 will provide better management of members' accounts and Phase II will allow members to access their account information using the Internet.

PEPP and the Capital Pension Plan have agreed to share the project costs with PEPP paying approximately 70% of the system costs. PEPP estimated the total costs at $4.2 million. The budget for Phase I was $3.6 million.

PEPP is late with the new system. PEPP planned to implement Phase I in November 2004. In February 2005, PEPP revised the date to July 2005. PEPP implemented Phase 1 in August 2005 at a cost of $3.7 million.

The supplier did not deliver the system on time. When delivered, the system did not meet PEPP's requirements. PEPP selected the system in December 2003. At that time, the system was still in test stage. The supplier did not complete testing and release the system until April 2004. Selecting a system prior to its completion increased the risk that the system would not meet requirements or be available on time.

Processes to manage information technology projects

Information technology projects are risky. Studies show most projects are late, over budget, and do not meet requirements. To overcome the risks associated with information technology projects, agencies must have adequate processes to:

- maintain management and stakeholder commitment to the project
- define, measure, and report on the realization of the project's benefits
- ensure good project management processes are used

We used the project management processes set out in Exhibit 1 to assess the adequacy of PEPP's processes.

Maintaining management and stakeholder commitment to the project

We expected the Board and management to provide strong commitment throughout the project. Commitment includes actively overseeing, funding, and promoting a project. When a project lacks commitment from senior management and the Board, expected benefits may not be realized and the project may not be delivered on time and within budget.

PEPP used a strong organizational structure to oversee the project including setting up a project steering committee and hiring a professional project manager. The Board approved all major decisions. The steering committee and the Board received good and timely information at the start of the project.

The period from May 2004 to December 2004 was the most critical to the project's success. PEPP expected to incur significant project costs and receive the system from the supplier during that period. Project risk increased significantly because the supplier was late in delivering the system and it did not work properly when delivered. Therefore, PEPP needed strong monitoring processes to manage the project.

PEPP did not maintain strong processes to monitor the project. Although the steering committee met bi-monthly to review the project and discuss key issues, it did not receive detailed status reports. The Board received only two updates during the period. Both updates contained only limited information on the project's status and costs, and the information did not fully reflect the project risks.

A lack of strong monitoring processes increased the risk that the project would be late and over budget.

The steering committee started meeting weekly in November 2004. The project manager now provides weekly written status reports to the committee. The Board began receiving better information in February 2005. The Board now receives relevant and timely information on the status of the project and plans to receive monthly updates in the future.

The increased monitoring and regular reporting to the Board are positive changes. The project manager, steering committee, and Board need to continue monitoring progress to ensure completion as planned.

Defining, measuring, and reporting on the realization of project's benefits

We expected PEPP to develop processes to assess how well it realizes the expected benefits from the new system. For any system to be a success, an agency must clearly define the expected benefits and measure actual results.

PEPP had adequate processes to define the expected benefits and prepared a business case at the start of the project. The business case identified the need for a new system to improve the allocation of earnings to members, allow for more investment options, allow members direct access to account information via the Internet, and increase processing efficiency. The business case also identified current transaction levels that PEPP plans to use in determining whether it realized the expected benefits from the new system. Overall, PEPP had adequate processes to define the expected benefits. While PEPP had processes to define the expected benefits, it has not developed processes to measure the benefits received. Without measuring the benefits, PEPP will not know if the project achieved the expected benefits.

Ensure good project management processes

Project management is the processes necessary to bring together the skills, tools, and resources to achieve the objective. Ultimately, a project's success depends on the project team having the necessary skills, knowledge, and experience to get the job done.

In this section, we compare PEPP's project management with those good project management processes outlined in Exhibit 1.

Managing project scope

We expected PEPP to use strong scope management processes throughout the project including processes to determine user needs, how to meet the needs, and ensuring delivery of the needs.

PEPP had good processes to identify user needs by doing needs assessments and documenting its requirements in a business case. PEPP also ensured that the proposed solutions would meet the needs identified. This included processes for requesting and evaluating proposals from potential suppliers. The Board approved all major decisions relating to the scope and timing at the beginning of the project.

Even with strong processes at the start of a project, changes may be required during the project. Therefore, PEPP also needed processes to identify, document, and approve project changes. These ensure the project stays on track with delivery on time and on budget.

PEPP had adequate processes to approve changes but did not follow those processes from January 2004 to February 2005. For example, during this period, PEPP did not follow its processes when it made changes to project resources and the completion of project tasks.

3. **We recommend that the Public Employees Pension Plan document and approve all future changes to the computerized pension administration system.**

Management told us that it plans to approve all future changes.

Managing risk

We expected PEPP to have strong processes to assess key risks and respond to reduce the risks to an acceptable level.

Risk management includes processes to identify, evaluate, plan, and respond to risks. We note that PEPP hired external contractors to help manage risks related to testing the new system, communicating with stakeholders, and converting data. PEPP also attempted to manage some issues as they became aware of them. However, PEPP lacked adequate processes to identify and mitigate all key risks

The new system is a significant project with many key risks. Examples of key risks include the potential inability of the supplier to deliver a quality system on time and meet user needs. Risks can change throughout a project. Therefore, it is important to document management's assessment of the risks and action plans to reduce these risks to an acceptable level.

Without strong risk management processes, key risks may not be identified and resolved resulting in project delays or increased costs.

4. **We recommend that the Public Employees Pension Plan document its risk assessments and action plans to reduce the risks to an acceptable level for the computerized pension administration system.**

Managing time

We expected PEPP to have strong time management processes for implementing the new system on time. Time management includes the processes to plan, schedule, and control the project's activities to get the project done on time.

PEPP had strong processes for planning and scheduling the work. This included detailed plans for who would perform what tasks and when to meet planned dates. PEPP also tracked time spent by employees to determine the full cost of the project. However, PEPP did not compare actual time spent on a task to the plan. This made it more difficult for PEPP to identify tasks taking longer then expected and predict accurately the project's completion date. .

PEPP resolved these issues by defining the key deliverables still outstanding and providing reports measuring progress. These steps should allow PEPP to monitor the project's status.

Managing quality

We expected PEPP to have processes to evaluate if the system would meet user needs. PEPP needs to ensure there is adequate testing to pick up any system problems. This would help PEPP in meeting its objective of having the new system meet user needs. Defects and rework could result in delays or a poor quality system.

PEPP prepared adequate testing plans. These plans outlined what would be tested and by whom. PEPP also has strong processes for identifying and tracking problems. As noted above, the quality of the product that the supplier provided was not acceptable. This resulted in a significant number of problems. It also resulted in additional resources for testing.

PEPP followed strong processes by having an independent evaluation of testing performed by a consultant. PEPP followed up on the issues the consultant identified in the evaluation and took corrective action.

Weak quality management processes could result in a defective product. By continuing to follow strong quality management processes, PEPP increased the likelihood of delivering a quality system.

Our future plans

Phase II will provide enhanced features like allowing members to access information on their accounts via the Internet. PEPP expects to implement Phase II in 2006.

We plan to assess whether PEPP has adequate controls to protect the computerized pension administration system from unauthorized access, unscheduled downtime, and inaccurate processing for the period from August 15, 2005 to October 31, 2005.

We have completed our research and developed general criteria for assessing the adequacy of PEPP's controls to protect the system. Criteria are reasonable and attainable standards of performance and control that we will use to assess the adequacy of systems and practices. We shared our general criteria with PEPP's management. Management agreed with our general criteria.

The criteria set out in Exhibit 2 are based on our research of the *Trusted Services Criteria and Principles* authored by the CICA and international standards, literature, and reports of other legislative auditors.

We also plan to follow up and report if PEPP achieves the expected benefits from the new system.

Exhibit 1—Project management framework

The three general criteria of a strong project management climate are:

- maintain management and stakeholder commitment to the project
- defining, measuring, and reporting on the realization of the project's benefits
- ensure good project management processes are used

We used the Project Management Institute's (PMI) standard titled *A Guide to the Project Management Body of Knowledge* as the management framework to support the above three criteria. The PMI standard identifies the following project management processes.

1. *Integration management* – the processes required to ensure that the various elements of a project are properly co-ordinated.

2. *Scope management* – the processes involved in determining what the users need, how the needs will be met and verifying if they are met.

3. *Time management* – the processes to plan, schedule, and control the project's activities to help get the project done on time.

4. *Cost management* – the processes to plan, estimate, and control the project costs.

5. *Quality management* – the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

6. *Human resource management* – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

7. *Communication management* – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

8. *Risk management* – the processes to identify, evaluate, plan, and respond to risks.

9. *Procurement management* – the processes to decide what to contract for tendering and selecting the best contractor; and negotiating, managing and closing the contract.

Exhibit 2—Audit Criteria

AUDIT CRITERIA

PEPP should have control processes to protect CPAS from:

1. **unauthorized access**
    - 1.1. Responsibilities are clearly defined
    - 1.2. User access controls protect CPAS from unauthorized access
    - 1.3. Physical security controls protect CPAS from unauthorized access
2. **unscheduled downtime**
    - 2.1. System and data backups occur and are tested
    - 2.2. Disaster recovery plans are implemented and tested
3. **inaccurate processing**
    - 3.1. Management has policies and procedures for managing CPAS
    - 3.2. Management has processes to ensure CPAS is operating as planned (e.g. system interface).
    - 3.3. Management has processes for converting data
    - 3.4. Management has change management processes
    - 3.5. Management monitors CPAS

The Public Service Superannuation Board

The Public Service Superannuation Board (Board) is responsible for the administration of *The Public Service Superannuation Act* and other relevant laws. The Board's primary objective is to provide pensions to employees who retire and to dependants of deceased pensioners and employees in accordance with the law.

The Board manages the Public Service Superannuation Plan (Plan), which consists of the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund. The Plan is a defined benefit final average pension plan.

In 2004-2005, the Plan received contributions of $4.7 million from employees and $93.5 million from the GRF. At March 31, 2005, the Plan held assets of $16.9 million and had liabilities of $1.6 billion.

Retired members' pensions

The Board needs information about retired members of the Plan who are receiving a pension and have returned to work for the Government. The

Board needs this information to ensure it pays pensions in accordance with the law.

Requirements for stopping the pensions of retired members who return to work for the Government are set out in section 27 of *The Superannuation (Supplementary Provisions) Act* (Act). The Act allows retired members to work as temporary, casual, or provisional employees for up to six months per year without a reduction in their pension. However, the Act requires the Board to stop the pension of a retired member who works for the Government for more than six months in a year. The Act also requires the Board to stop the pension of a retired member that the Government re-hires as a permanent employee when that member starts work.

The Board does not know if retired members are working for the Government. The Board relies on retired members notifying the Board upon re-employment with the Government. As a result, the Board cannot ensure that all pensions paid comply with the law. Accordingly, we cannot determine if the Board complied with section 27 of the Act.

We reported this matter in our 2004 Report – Volume 3 and in previous reports. In November 2001, PAC considered this matter and concurred with our recommendation.

We continue to recommend that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and return to work for the Government are paid in accordance with the Act. Alternatively, the Board should seek changes to the Act.

Audit of reliability of performance information

These observations explain our opinion on the reliability of selected performance information in the Finance *Annual Report 2004-05*. We congratulate Finance for its leadership in reporting audited performance information.

Public reports to the Legislative Assembly help the Government to account for its performance. Reliable performance information supports credibility, trust, and informed debate.

In 1999, the Government adopted a performance management framework to make it more accountable to the Assembly and the public. The framework expects annual reports to explain departments' performance. Cabinet appointed Finance to lead this initiative and provide guidance to all departments. We chose to work with Finance because of its central agency role to guide other departments toward better annual reports.

When an agency controls how it collects, analyzes, and stores information, it enhances the reliability of its public reports. Auditing the reliability of performance information fosters accurate, complete, credible, and understandable reports. Audits may also identify ways to improve how the agency collects and manages its information.

Auditors provide opinions on the reliability and relevance of both financial and non-financial reports to the public. For example, in the public sector, auditors in Australia and the United Kingdom began auditing non-financial performance information in the 1980s. Our Office began in 2002 to provide legislators with assurance on the reliability of selected non-financial performance reports.[4] In the future, we plan to provide assurance more often on the reliability of performance information reported to the Assembly.

Objective

The objective of this audit was to provide an opinion on the reliability of information for the performance measures related to Goal 4 reported in the Finance *Annual Report 2004-2005*. The audit did not examine the appropriateness or relevance of the goals, objectives, or measures set by Finance. The performance measures are set out in Exhibit 3.

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[4] Information Services Corporation, March 2004 Schedule of performance information (balanced scorecard) in *2003 Annual Report*, and June 2002 *Special Report to the Standing Committee on Crown Corporations* Department of Health 2002 and 2004 *Saskatchewan Comparable Health Indicators Report*.

Exhibit 3—Finance Goal 4 Performance Measures

Goal 4 (Saskatchewan Finance provides excellent services to its clients)

Objective 1 – *Accurate and timely information and services*

Performance measures:

- per cent of businesses, which collect taxes on behalf of government, that are satisfied with the Department's quality of service
- per cent of businesses, which collect taxes on behalf of government, that are satisfied with the Department's timeliness of responses, refunds and adjustments

Objective 2 – *Ease of tax compliance*

Performance measures:

- number of businesses that filed returns on-line
- number of farmers that applied for fuel tax rebates on-line

Source: 2004-2005 Saskatchewan Provincial Budget Performance Plan – Saskatchewan Finance.

Criteria and what we did

To do our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. As required by these standards, we asked Finance to comment on and agree to the criteria that formed the basis of the audit (Exhibit 4).

We examined the controls Finance uses to protect the reliability of its information. We tested whether the report accurately reflected Finance's actual performance results. In addition, we evaluated the overall presentation of the Goal 4 performance information.

Throughout the audit, we recommended ways to make the reported performance information more understandable and reliable.

Exhibit 4—Audit criteria to assess reliability of performance information

For information on performance measures to be adequately reliable, the Department should have processes to ensure that the information reported:

1. Is reasonably accurate and complete
    - 1.1. is free from significant error
    - 1.2. is free from significant omissions
    - 1.3. is produced by systems that control quality

2. Is verifiable
    - 2.1. states time period covered
    - 2.2. discloses data source(s) and any data limitations
    - 2.3. explains calculation of measure
    - 2.4. explains if measure is comparable to prior years' measure

3. Is understandable
    - 3.1 is appropriately explained
    - 3.2 compares performance to prior or expected performance
    - 3.3 discloses unusual events or circumstances impacting results

Conclusion

The information in annual reports is management's responsibility. The auditor's responsibility is to express an opinion, based on the audit, on whether the performance information is reliable and understandable.

We concluded that the performance information reported by Finance in the Measurement Results sections for Goal 4 of its *Annual Report 2004-2005* is in all material respects reliable, and understandable.

The performance information reported for Goal 4 measures is in accordance with the reporting principles described by management. On pages 3-4 of its *Annual Report 2004-2005*, Finance stated the reporting principles it used to achieve reliable information and our audit opinion.

Exhibit 5 reproduces our audit opinion. The published report is at http://www.gov.sk.ca/finance/annreport/annualreport20042005.pdf.

Exhibit 5—Audit opinion on reliability of performance information

To the Members of the Legislative Assembly of Saskatchewan

I have audited the performance information reported by the Department of Finance in the Measurement Results sections for Goal 4 of this Annual Report. The information is prepared in accordance with the principles for reliability and understandability described in management's representation on page 3. The information is the responsibility of the Department's management. My responsibility is to express an opinion on the reliability and understandability of the 2004-05 performance information based on my audit. Comparative information for prior years has not been audited. My audit was not designed to provide assurance on the appropriateness or relevance of the goals, objectives, or measures set by the Department of Finance.

I conducted my examination in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the performance information and related disclosures. An audit also includes assessing the principles used and the significant judgments made by management, as well as evaluating the overall presentation of the performance information.

In my opinion, the performance information reported by the Department of Finance in the Measurement Results sections for Goal 4 of this Annual Report is, in all material respects, reliable, understandable, and in accordance with the principles for reliability and understandability described in management's representation on page 3.

Follow-up—supporting a learning culture for public reporting

In our 2002 Spring Report (pages 93-108), we concluded that Finance adequately supported a learning culture to improve public performance reporting by departments with two exceptions. We made two recommendations.

On October 24, 2002, the Standing Committee on Public Accounts concurred with the recommendations.

We recommended that Finance give departments a multi-year timetable with targets for incremental improvement in performance plans and reports of results.

In 2003, Finance created a timetable to guide gradual improvements in all departments' public plans and reports.

We recommended that Finance be proactive to establish a web site or intranet among departments to communicate best practices from research and innovations for improved performance management and reporting.

At the time of our follow-up in October 2005, Finance's public web site, provided departments with guidelines for planning and reporting. The web site listed responses to frequently asked questions. For example, Finance outlines the Government policy for handling reports about multi-department strategies such as *KidsFirst*. The web site also listed Internet links to the web sites of agencies in Canada and the United States that provide advice or that use sound practices for public reporting.

Sharing these resources is important as it saves time and money. The web site creates a central focus for departments to share resources that they find helpful. We encourage Finance to make these resource materials more visible on its web site for easy access, and to continue to share innovations for improving performance management and reporting.

Environment

6

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Main points

In our 2005 Report – Volume 1 and prior reports, we made recommendations for the Department to improve its processes to safeguard public resources. The Department has not fully addressed these recommendations. Accordingly, the control deficiencies we reported in those reports continued during 2005. Also, in 2005 the Department did not prepare complete and accurate financial statements as required by the *Financial Administration Manual*.

In 2005, we examined the Department's processes to regulate the quality of drinking water. Access to clean and safe drinking water is essential for public health and well-being. The Department is the agency primarily responsible to carry out the Government's Safe Drinking Water Strategy that includes action plans to deal with the risks related to drinking water.

We concluded that the Department had adequate processes to regulate the quality of drinking water, except that it needs to document its quality control reviews of waterworks inspections and follow up water quality monitoring results.

Introduction

The Department of Environment (Department) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations. Information about the Department's mandate and its organizational structure is available on its web site (http://www.se.gov.sk.ca/).

For the year ended March 31, 2005, the Government's summary financial statements show environment and natural resource expenses of $154 million (2004 - $186 million) comprised of the following:

	(in millions of dollars) 2005	2004
Department of Environment		
(2004-05 Public Accounts – Volume 1)	$ 133	$ 178
Deduct expenses shown as:		
Economic development related to forests	(13)	(10)
Community development related to urban parks	(4)	(4)
Add expenses incurred by:		
Saskatchewan Water Corporation	25	12
Saskatchewan Watershed Authority	13	12
Other	-	1
Restatement – tangible capital assets	-	(3)
	$ 154	$ 186

The Department received $133 million (2004 – $178 million) from the General Revenue Fund for its programs. Also, the Department recorded other revenue of $50 million (2004 - $64 million). The Department raises revenue from licences and permit fees for fishing, gaming, and forestry. It also collects non-refundable deposits on beverage containers. Also, the Department raises revenue and incurs expenses through its funds listed on page 148.

Information about the Department's revenues and expenses appears in the Department's 2004-05 annual report, (see http://www.se.gov.sk.ca). The Department's major programs and spending include:

	Original Estimates	Actual
	(Millions of dollars)	
Administration	$ 14	$ 15
Compliance and Field Services	22	17
Forest Ecosystems	13	14
Fire Management and Forest Protection	65	32
Resource Stewardship	7	7
Environmental Protection	12	15
Water Management and Protection	9	9
Parks	13	13
Other	7	11
	$ 162	$ 133

The Department is responsible for managing the following special purpose and revolving funds (funds) and Crown agencies:

- Commercial Revolving Fund
- Fish and Wildlife Development Fund
- Forest Fire Contingency Fund
- Resource Protection and Development Revolving Fund
- Operator Certification Board
- Saskatchewan Watershed Authority
- Water Appeal Board

Our audit conclusions and findings

We worked with Meyers Norris Penny LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (see our web site at http://www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for the year ended March 31, 2005:

- the Department and its Crown agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter

- the Department and its Crown agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter
- the financial statements of the Department's funds and Crown agencies are reliable

Later in this chapter, we also report the results of our audit of the Department's processes to regulate quality of drinking water.

Conditions that allowed loss of public money

In May 2005, we completed our investigation of alleged misuse of public money at the Department and the conditions that may have allowed the misuse to occur and remain undetected. We concluded that the Department incurred a loss of public money and possible loss of public money totalling about $500,000. We reported our conclusions, findings and recommendations in our 2005 Report – Volume 1. This report is available on our web site at www.auditor.sk.ca.

In our 2005 Report – Volume 1, we identified deficiencies in the Department's controls in the following areas:

- segregation of duties of its employees
- effective direction to employees
- proper oversight of operations
- assessment and reduction of the risk of loss of public money by employees in positions of trust

We made five new recommendations and repeated three prior recommendations for the Department to help improve its safeguarding of public resources. The Department did not have enough time to address our new recommendations by the year ended March 31, 2005. Also, the Department continues to work on the three recommendations we made in our earlier reports. Accordingly, at March 31, 2005, the deficiencies we reported in our 2005 Report – Volume 1 continued.

The Standing Committee on Public Accounts (PAC) considered all of these matters and agreed with our recommendations. We will examine the Department's progress towards addressing our recommendations during our next year's audit.

Control over capital assets needed

In our 2004 Report – Volume 3 and previous reports, we recommended that the Department should ensure its staff follow the established rules and procedures to control the Department's capital assets. In May 2003, PAC considered this matter and agreed with our recommendation.

At March 31, 2005, the Department managed capital assets with a net book value totalling approximately $50 million (2004 - $43 million). These assets include land, buildings, machinery, transportation equipment, and office equipment.

As part of its processes to safeguard its capital assets, the Department inspects capital assets regularly to ensure capital assets exist and that capital asset records are accurate. During 2004-05, the Department inspected some capital assets and identified differences between the capital assets examined and the capital assets recorded. However, the Department did not investigate all of those differences nor did it make corrections to the capital asset records. Accordingly, the Department did not know if its capital asset records were accurate nor did it know if all of the recorded assets exist.

We continue to recommend that the Department of Environment ensure staff follow the Department's rules and procedures to safeguard its capital assets.

In our 2004 Fall Report – Volume 3 and previous reports, we also recommended that the Department's annual report should describe:

- the capacity of each major category of capital assets
- the extent to which the use of capital assets achieved planned results
- the strategies used to manage major risks to the key capital assets

In May 2003, PAC considered this matter and agreed with our recommendations.

The Department continues to provide some information in its annual reports about the capital assets that it bought during the year. Starting in 2004, the Department included information in its annual report on planned capital asset purchases for the next two years. However, the Department needs to provide more information in its annual report about its capital assets as described above. If the Department does not provide adequate information on capital assets in its annual report, the public may not be able to adequately assess how the Department is using these assets to provide public services.

We continue to recommend that the Department describe in its annual report the capacity of each major category of capital assets, the extent to which the use of capital assets achieved planned results, and the strategies used to manage major risks to the key capital assets.

Collection processes needed

In our 2004 Report – Volume 3, we recommended that the Department of Environment establish processes to collect money due from others. In January 2005, PAC considered this matter and agreed with our recommendation.

The Department still has not provided adequate written guidance to help staff collect money due from others. Written guidance helps staff to know when to follow up the outstanding amounts due to the Department, how and when to hire collection agencies to help collect such amounts, and when to consider any such amounts uncollectible. Lack of written guidance to employees increases the risk that they may not take appropriate action at the right time to collect all amounts due to the Department.

For example, the Department's financial records showed that the land lease customers owed the Department about $1.3 million at March 31, 2005 (2004 – $1 million). The records also showed that about $1 million (2004 - $0.8 million) owed by those customers had been outstanding for more than a year. The Department did not document what it has done to collect the money, resolve any disputes with these customers, and determine if these amounts are uncollectible. At March 31, 2005, the Department had amounts due from all customers totalling $6.9 million

(2004 - $8.5 million) and estimated that it might not be able to collect $2.4 million (2004 - $1.8 million).

We continue to recommend that the Department of Environment establish processes to collect money due from others.

Management told us that the Department continues to work on developing guidance for staff in this area.

Control over bank accounts needed

In our 2004 Report – Volume 3, we reported that the Department should follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly. In January 2005, PAC considered this matter and agreed with our recommendation.

Although the Department has established rules to agree (reconcile) its bank balances to the bank's records promptly, it still has not reconciled all bank accounts promptly. For example, at March 31, 2005, the Department had not reconciled one account since 2003 and three other accounts for the entire year. Also, the Department had not established adequate processes to independently review and approve the completed bank reconciliations.

Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges and deposits to the bank accounts are proper. It also provides a check on the accuracy and reliability of the Department's accounting records.

We continue to recommend that the Department of Environment follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Management told us that the Department has made significant progress in this area since March 31, 2005.

Contingency planning needed

Since 2002, we have recommended that the Department should prepare a complete written contingency plan based on a risk analysis and test that plan to ensure that it works. In May 2003, PAC considered this matter and agreed with our recommendation.

A written and tested contingency plan covering the Department's computer systems will help it operate effectively in the event its computer systems fail or are destroyed.

In prior years, the Department documented some contingency plan procedures for storing programs and data for all major systems. During the year, the Department did not complete a written, tested, and approved contingency plan for its major information technology systems.

We continue to recommend that the Department of Environment prepare a complete written contingency plan and test that plan to ensure that it works.

Management told us that the Department now has a drafted contingency plan.

Compliance with the *Financial Administration Manual* needed

The Department needs to comply with the *Financial Administration Manual* (FAM) issued by the Department of Finance. FAM requires the Department to prepare accurate year-end financial reports and to submit quarterly financial statements for its funds to Treasury Board.

The Department needs to communicate clearly its policies and procedures to its employees. When employees do not know how they must do their assigned tasks and when, they are more likely to do the tasks incorrectly and/or late.

FAM requires the Department to give the Department of Finance a year-end financial report that shows the revenues, expenses, assets, and liabilities of the Department. The Department of Finance uses this report to prepare the Government's financial statements. The Department of Environment has not provided staff with guidance to complete accounting tasks necessary to prepare the required financial reports. Nor does the Department have adequate professional resources to provide training to those who must prepare the financial reports.

As a result, the Department's year-end financial reports were inaccurate. The Department's financial reports at March 31, 2005 did not include approximately $1.2 million in inventory and approximately $35 million in commitments.

Also, FAM requires the Department to submit quarterly financial statements to Treasury Board for certain of the Department's funds, i.e., Commercial Revolving Fund and the Resource Protection and Development Revolving Fund. During 2004-05, the Department prepared but did not submit all quarterly financial statements for these funds to Treasury Board. Accordingly, the Department did not comply with FAM.

1. **We recommend the Department of Environment prepare complete and accurate year-end financial reports as required by the *Financial Administration Manual*.**

2. **We recommend the Department of Environment submit to Treasury Board the quarterly financial statements of its funds as required by the *Financial Administration Manual*.**

Management told us that the Department has increased resources in the accounting area to help improve the financial reporting processes. Management also told us that the Department now provides to Treasury Board the quarterly financial statements for its funds.

Operator Certification Board

The Operator Certification Board (Certification Board) is continued under *The Water Regulations, 2002* to certify operators of water and sewage works. The Minister of the Department of Environment appoints the Board of Directors.

For the year ended March 31, 2005, the Certification Board had revenues of $83,692, expenses of $76,210, and net income of $7,482. At March 31, 2005, the Certification Board held assets of $59,914. The Certification Board's financial statements are included in its annual report.

Board needs to adequately monitor operations

The Board of Directors (Board) needs to set out the financial information that it must receive regularly to oversee the Certification Board's operations.

The Board does not receive any regular financial reports. To monitor the Certification Board's operations, the Board needs to receive financial information comparing planned and actual results and explaining significant differences. The Board needs complete, accurate, and timely financial reports to make financial decisions. Without complete and accurate financial reports, the Board may make incorrect decisions.

3. **We recommend that the Board of Directors of the Operator Certification Board define and communicate to management the reports it requires to adequately oversee operations.**

Processes to regulate quality of drinking water

Background

Access to clean and safe drinking water is essential for public health and well-being. Effective regulation of the quality of drinking water helps deliver clean drinking water to citizens. Ineffective regulation can endanger public health.

In response to the tragedy in Walkerton, Ontario and the recommendations of the North Battleford Commission of Inquiry, the Government of Saskatchewan set out the Safe Drinking Water Strategy (Strategy). The Strategy includes action plans to deal with the risks relating to drinking water. Also, the Strategy resulted in *The Environmental Management and Protection Act, 2002* (EMPA) and *The Water Regulations, 2002* (regulations).

The Department has developed a more detailed performance plan, called the *Safe Drinking Water Strategy*, in the *2005-2006 Provincial Budget Performance Plan*. The Department makes the Strategy, its performance plans, and reports available on its dedicated web site: www.SaskH2O.ca.

Responsibility for drinking water

The Department is primarily responsible to carry out the Government's Strategy. EMPA strengthened and broadened the Department's responsibilities for regulating water quality in Saskatchewan. Under EMPA and the regulations, the Department is responsible to regulate and inspect municipal waterworks,[1] municipal wells connected to a distribution system, certain pipelines, and other public waterworks with a capacity of 18 cubic metres or more per day (i.e., villages, towns, cities).

Most Saskatchewan residents obtain their water from the 562 municipal waterworks, 16 pipelines, or 63 private, government, or other waterworks that the Department regulates and inspects.[2] The Department estimates that these waterworks serve more than 80 per cent of Saskatchewan residents. Some Saskatchewan residents obtain their drinking water from non-public waterworks (e.g., wells or reservoirs). The Department does not regulate non-public waterworks. Nor is the Department responsible for drinking water on First Nations reserves.

The following agencies also play a part in the Safe Drinking Water Strategy. We did not include these agencies in this audit.

- Saskatchewan Watershed Authority is responsible for allocating water inventory, analyzing water sources (quantity and quality), regulating and controlling of the flow of water (i.e. lakes, rivers), and establishing and enforcing best practices to protect and restore water sources
- Saskatchewan Water Corporation assists communities to develop reliable water sources for residents, and provides water and wastewater services for its clients
- Department of Health and regional health authorities regulate privately-owned waterworks and waterworks with a capacity of less than 18 cubic metres per day (such as tourist accommodations and campgrounds)

The Department summarizes the responsibilities of other government agencies in its *Annual Report, 2004-05: State of Drinking Water Quality in*

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[1] Includes reservoirs, tanks, buildings, pumps and pipes.

[2] Saskatchewan Environment, *Annual Report, 2004-05: State of Drinking Water Quality in Saskatchewan and Safe Drinking Water Strategy*, p. 2.

Saskatchewan and Safe Drinking Water Strategy. While the other agencies have specific responsibilities, the Department leads planning, implementation, and reporting on drinking water to which the other participating agencies contribute.[3]

Regulating drinking water quality

The source of drinking water influences its quality. Drinking water that comes from lakes or rivers is called surface water. Drinking water that comes from wells is called groundwater (the wells draw water from underground layers of water-bearing soils or permeable rock called aquifers). Chemical, biological, or other forms of contaminants can affect both surface water and groundwater.

Waterworks owners and operators are responsible for treating drinking water to reduce or eliminate possible contamination. They do this before (and sometimes as) the water moves through the distribution system to our taps. However, the water treatment and the distribution systems themselves can pose additional risks to water quality.

The Department is responsible for setting standards for drinking water quality. It requires operators to test drinking water to ensure it meets standards. The Department is also responsible for inspecting waterworks to ensure they meet standards.

Our audit objective

The objective of our audit was to determine if the Department of Environment had adequate processes to regulate the quality of drinking water at March 31, 2005.

To assess the adequacy of the Department's processes, we used the criteria listed in the Exhibit. We developed the criteria based on our review of relevant literature, international practices, and the work of other legislative audit offices. The Department agreed that the criteria were reasonable and attainable. The criteria outline our expectations.

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[3] Ibid.

Exhibit—Audit criteria

To adequately regulate the quality of drinking water, the Department must:

1. Establish standards and procedures to evaluate drinking water quality
2. Monitor drinking water quality using standards and procedures
3. Act on monitoring results and complaints

Our key findings below describe details (*in italics*) of our expectations. In establishing our detailed expectations, we consulted with the Auditor General of Canada and considered the work of other legislative auditors who had completed similar audits[4] relating to drinking water or were planning such audits. To do this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our audit conclusion

In our opinion, at March 31, 2005, the Department of Environment had adequate processes to regulate the quality of drinking water, except the Department needs to adequately document its quality control reviews of waterworks inspections and follow up water quality monitoring results.

Our key findings (by criterion) and recommendations

Establish standards and procedures to evaluate drinking water quality

To establish standards and procedures to evaluate drinking water quality, we expected the Department to:

- *set standards for drinking water quality (e.g., Guidelines for Canadian Drinking Water Quality)*
- *establish procedures to test water quality*
- *establish procedures to inspect waterworks*

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[4] The Commissioner of the Environment and of Sustainable Development (within the Office of the Auditor General of Canada) released reports on drinking water in its *2005 Report to the House of Commons, Chapter 4 – Safety of Drinking Water: Federal Responsibilities, Chapter 5 – Drinking Water in First Nations Communities*. These are available at www.oag-bvg.gc.ca.

- *communicate standards and procedures to operators, staff, and the public*

In setting standards for drinking water quality, the Department has adopted, with some changes, the national *Guidelines for Canadian Drinking Water Quality*. Some parts of the national guidelines are not relevant to Saskatchewan. This can be, for example, because substances relate to industries not present in Saskatchewan. The Department has reasonable processes to assess the parts of the national guidelines it will adopt. The Department also participates in developing the national guidelines.[5]

The Department implements the standards for drinking water quality by requiring waterworks to obtain permits for construction, repairs, and operation. The permits reflect the standards for drinking water and for testing. The Department has established procedures to monitor and test drinking water quality. While the Department carries out some testing, it relies on the more frequent testing done by waterworks operators according to the terms of their permits. The Department regularly reviews and updates its procedures.

The Department has established procedures to inspect waterworks. The Department's Environmental Project Officers (EPOs) carry out regular inspections of waterworks. The Department has documented its inspection procedures, and regularly updates them.

The Department maintains extensive documentation of its standards and procedures (manuals) for its staff and waterworks operators. The Department makes these available in printed form and electronically, and also makes them available to the public on its web site.

Monitor drinking water quality using standards and procedures

To monitor drinking water quality using the standards and procedures it has developed, we expected the Department to:

- *ensure that only permit holders operate waterworks*
- *ensure that waterworks operators have the necessary certification*

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[5] The Federal Commissioner of the Environment and of Sustainable Development indicates that the process used to develop the national guidelines is too slow. *2005 Report, Chapter 4*, p.2.

- *ensure the existence of adequate Departmental resources (e.g., department staff with necessary expertise, information systems)*
- *test water quality (e.g., follow established procedures, use accredited lab)*
- *inspect waterworks (e.g., follow established procedures)*
- *set quality control processes to ensure accurate monitoring*

The Department is responsible for granting permits to operators of waterworks. Operators require permits to build new waterworks or make changes to existing ones. The Department identifies the need for permits through the work of EPOs and other agencies. The Department issues permits for specific terms and has a process to renew expired permits.

Effective July 15, 2005, the regulations require that certified operators oversee waterworks operations.[6] The Department has processes to help ensure that waterworks operators have the necessary certification. The Department also checks for certification during waterworks inspections. Operators of some waterworks do not have the required certification. The Department requires such waterworks to work toward obtaining the required certification. The Department issues a notice of violation to those waterworks that do not progress towards obtaining such certification. For waterworks that have less than 15 hookups or serve communities with a population less than fifty, the Department does not currently issue formal notices of violation, but seeks to attain compliance through inspections and education.

The Department has established the competencies needed for Department staff who regulate drinking water. Also, it provides training to help ensure staff maintain those competencies.

The regulatory changes that resulted from the Strategy required changes to the Department's computer systems. The Department continues to face challenges in managing the transition from old systems to the new system.[7]

For example, the Department receives drinking water test results from accredited laboratories including the Provincial Laboratory. The Provincial

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[6] *Water Regulations, 2002*, s.63. The regulations refer to a Department policy that sets out requirements depending on the size of the waterworks and the population served.

[7] We audited the Information Technology Office's role in coordinating the initial development of the new system. The report is at Chapter 6 of our 2003 Report – Volume 1.

Laboratory provides test results in a format that is not compatible with the Department's new computer systems. The Department uses a complex method to transfer test results to its systems. The method requires manual information entry and multiple transfers of information between different computer databases. Although the Department uses numerous checks to help ensure the integrity and accuracy of information, the risk of errors increases when data are manually entered and are transferred between systems. The Department needs to ensure that it receives information in a format compatible with its computer systems.

The Department is working on a project that would allow it to use a single computer system to regulate water quality. The system would record and track test results, initiate required follow-up, and record inspection information.

The Department has adequate processes to test drinking water quality. As noted, the Department primarily relies on tests carried out by waterworks operators and independent laboratories.

The Department inspects waterworks in accordance with established procedures. The EPOs complete detailed checklists, identifying on those checklists the areas where waterworks do not comply with the regulations. The Department provides inspection results to waterworks operators and owners, as well as to regional health authorities. The Department reports that it performed 792 waterworks inspections in 2004-05, with each waterworks receiving at least one inspection per year.[8] The Department plans to post the results of its inspections at www.SaskH2O.ca.

The Department has a process to annually review the work of EPOs. The objective of these reviews is to help ensure that EPOs appropriately inspect waterworks and to promote consistency. However, the Department does not document the reviews or the results. The Department should do so.

4. **We recommend the Department of Environment adequately document its quality control reviews of waterworks inspections.**

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[8] Saskatchewan Environment, *Annual Report, 2004-05: State of Drinking Water Quality in Saskatchewan and Safe Drinking Water Strategy*, p. 20.

Management told us the Department has now changed its review processes to ensure that all quality control reviews are adequately documented.

Act on monitoring results and complaints

To act on monitoring results and complaints adequately, we expected the Department to:

- *investigate monitoring results*
- *enforce compliance*
- *investigate complaints*
- *share information with other government agencies*
- *report on drinking water quality*

The Department monitors the frequency and results of drinking water tests. If a test result is positive (e.g., a test shows harmful bacteria), staff must do specific procedures that the Department has established. However, the Department does not have adequate processes to ensure that it completes these procedures. In some cases, staff did not consistently carry out follow-up procedures. To help protect the public from unsafe drinking water, the Department must establish processes to ensure it follows up monitoring results.

Management told us that the Department receives relatively few complaints about drinking water quality. The Department has a process for documenting and responding to complaints.

The Department can enforce compliance with water standards, for example, by ordering changes to waterworks or cancelling permits. Operators or owners of waterworks may face prosecution if they ignore the Department's recommendations for improvements or do not comply with the law.

Department staff regularly meet with officials of the Saskatchewan Water Corporation, Saskatchewan Watershed Authority, Department of Health, and regional health authorities regarding the quality of drinking water. The Department also shares reports, such as inspection reports, and posts reports of drinking water quality at www.SaskH2O.ca.

The web site alerts the public of advisories or orders regarding specific waterworks. It also allows the public to examine detailed water quality information from specific waterworks. The Department should consider making the information on the web site more understandable. For example, the Department could highlight instances where results do not meet water quality standards.

The Department also prepares an annual report called *The State of Drinking Water Quality in Saskatchewan and Safe Drinking Water Strategy*. This report provides information on what the Department has done and its achievements under the performance plan for the Strategy. The report adequately describes what the Department planned to achieve and what it actually accomplished.

Waterworks operators are responsible to provide annual compliance information to consumers. During their inspections, EPOs assess if waterworks provided consumers with required information.

5. **We recommend the Department of Environment follow up water quality monitoring results.**

Management told us the Department has now implemented a system to ensure that water quality monitoring results are addressed in an appropriate manner.

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Liquor and Gaming Authority

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Liquor and Gaming Authority

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Main points

In this chapter, we report the results of our audit of the Liquor and Gaming Authority (Liquor & Gaming) for the year ended March 31, 2005 and our investigation of alleged misuses of money at two liquor stores.

Liquor & Gaming completed its audit of SIGA's expenses for the year ended March 31, 2005 and based on the information available identified expenses totalling nearly $1.2 million that Liquor & Gaming considered unreasonable or did not comply with approved policies. However, it has not yet recovered money from the First Nations Trust Fund as allowed under the 2002 Framework Agreement. Also, Liquor & Gaming needs to:

- control its bank accounts
- prepare an information technology strategic plan, and information technology security policies and procedures
- prepare a complete business continuity plan

Our investigation of alleged misuses of public money shows that Liquor & Gaming incurred a loss of public money totalling at least $247,000 at two of its liquor stores. Liquor & Gaming needs to:

- provide more direction and training to employees to do assigned tasks properly
- ensure compliance with established policies to control its bank accounts
- better communicate critical information amongst its various branches

Improving the above controls would help detect any misuse of public money sooner.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor & Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province.

Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos.

Under *The Criminal Code of Canada*, only governments can own and manage slot machines. In Saskatchewan, the Government uses SIGA to operate the slot machines under Liquor & Gaming's direction. Liquor & Gaming signed a Casino Operating Agreement with SIGA. The Casino Operating Agreement expires on June 11, 2027. Under the Casino Operating Agreement, the revenues from the slot machines belong to Liquor & Gaming.

SIGA must also follow policies that Liquor & Gaming approves for incurring casino operating expenses. Liquor & Gaming allows SIGA to deduct expenses that comply with the approved policies from the slot machine revenues. Accordingly, SIGA's expenses that comply with the approved policies are Liquor & Gaming's expenses. Liquor & Gaming includes those revenues and expenses in its financial statements.

In 2004-05, Liquor & Gaming had revenues of $740 million, expenses of $378 million, and net income of $362 million. At year-end, Liquor & Gaming held total assets of $171 million and had an accumulated deficit of $0.5 million. Liquor & Gaming's *Annual Report 2004-05* includes its financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- **Liquor & Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

- **Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- **Liquor & Gaming's financial statements are reliable**

In this chapter, we report our audit findings and the results of our investigation of alleged misuses of public money at Liquor & Gaming's liquor stores.

Audit findings for the year ended March 31, 2005

Better recovery of expenses needed

Since 2002, we have recommended that Liquor & Gaming should audit SIGA's expenses frequently and recover money for expenses that do not comply with approved spending policies or are unreasonable. The 2002 Framework Agreement[1] allows Liquor & Gaming to recover such money from the First Nations Trust Fund because SIGA has no money of its own.

In 2003-04, Liquor & Gaming established a policy to frequently audit SIGA's expenses, determine expenses that it considers unreasonable, and recover those expenses from future payments due to the First Nations Trust Fund. In our 2004 Report – Volume 3, we said we would assess next year how well Liquor & Gaming applies the new policy.

In January 2005, Liquor & Gaming completed an audit of SIGA's spending for the 6 months ended September 30, 2004. Based on the information available, the audit identified expenses totalling approximately $1 million that either did not comply with approved policies or were not reasonable. After the year-end, Liquor & Gaming completed another audit in June 2005. The audit examined SIGA's spending for the 6 months ended March 31, 2005 and based on the information available identified further expenses totalling nearly $0.2 million that either did not comply with approved policies or were not reasonable. At September 30, 2005,

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[1] **2002 Framework Agreement** sets out terms and conditions for permitting the development and operation of casinos in Saskatchewan within the parameters of The Criminal Code of Canada. The Agreement expires on June 11, 2027.

Liquor & Gaming has not recovered any money from the First Nations Trust Fund.

Timely follow up and recovery of unreasonable expenses would help ensure that SIGA does not incur such expenses again. Also, it would help SIGA to identify and provide necessary training and counselling to those employees who disregard the approved policies.

We reported this matter in our 2003 Report – Volume 3. The Standing Committee on Public Accounts (PAC) considered this matter in June 2004 and agreed with our recommendation.

We continue to recommend that Liquor & Gaming audit SIGA's expenses frequently and recover money for expenses that do not comply with approved spending policies.

On October 31, 2005, management told us that Liquor & Gaming has begun the process of recovering SIGA's unreasonable expenses for the year ended March 31, 2005 from the First Nations Trust Fund. Management also told us that Liquor & Gaming expects to recover such expenses by December 31, 2005.

Better control over bank accounts needed

Liquor & Gaming needs to follow its rules and procedures to control its bank accounts.

Liquor & Gaming's procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges to the bank account are proper, and all money has been received and deposited in the right account. It also provides a check on the accuracy and reliability of Liquor & Gaming's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money quickly.

In 2004-05, Liquor & Gaming did not reconcile its bank accounts promptly. It did not complete and review some bank reconciliations for almost three months. By October 2004, Liquor & Gaming began doing timely bank reconciliations. At year-end, Liquor & Gaming had reconciled all bank balances to the bank records.

In 2005, Liquor & Gaming reported liquor sales of approximately $384 million. The liquor sales for the year from all its stores totalled approximately $250 million. The average daily sales from all stores amounted to approximately $846,000.

At March 31, 2005, the bank reconciliation identified sales totalling approximately $974,000 that some liquor stores had not deposited in the bank. Such differences can be normal due to night deposits and credit card sales. The accounting employees must analyze all differences to ensure they are not indicative of any impropriety. However, accounting employees considered all those outstanding deposits as normal. We did not see any evidence of what work accounting employees did to conclude so.

After the year-end, Liquor & Gaming found that some of the outstanding deposits represented the amounts that two store managers had allegedly misused. For further details see the section in this chapter entitled *Investigation of alleged misuse of money*.

We reported this matter in our 2004 Report – Volume 3 and our past reports. PAC considered this matter in June 2004 and agreed with our recommendation.

We continue to recommend that Liquor & Gaming follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Security policies for information technology (IT) needed

Liquor & Gaming needs to establish IT security policies and procedures.

IT security policies and procedures help ensure the confidentiality, privacy, integrity, and availability of information systems and data. Without adequate IT policies, employees may not know the rules to protect Liquor & Gaming's systems and data. Also, management may not know if it has addressed all the threats and risks to Liquor & Gaming's security. An IT strategic plan can help management do so.

In 2003, Liquor & Gaming drafted an IT manual that includes IT security policies and procedures. However, management has not yet approved the manual and provided it to all staff. Also, Liquor & Gaming staff prepared a draft IT strategic plan. Management has not approved the plan.

Liquor & Gaming's Board must approve the IT strategic plan and the IT policies and procedures. Liquor & Gaming should then communicate the approved IT plan, and policies and procedures to all employees.

1. **We recommend that the Board of Directors of the Liquor and Gaming Authority approve the information technology strategic plan.**

2. **We recommend that the Board of Directors of the Liquor and Gaming Authority approve the information technology policies and procedures.**

Business continuity plan needed

Liquor & Gaming needs a written, tested, and approved business continuity plan[2] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

Liquor & Gaming delivers a number of programs and services to the residents of Saskatchewan as part of its mission and mandate. It must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, Liquor & Gaming is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

- have management support including making the required resources available to create and maintain the business continuity plan
- be based on a threat and risk assessment including identifying and ranking Liquor & Gaming's critical functions

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[2] **Business Continuity Plan** by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions including normal operation of computerized system (also known as Contingency Plan or Disaster Recovery Plan) A contingency plan is only one component of the Business Continuity plan.

- set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services
- be documented, approved by management, and easily accessible when the plan needs activation
- be tested initially and on an ongoing basis
- set out policies for ongoing maintenance and updating of the plan

Liquor & Gaming does not have a complete and tested business continuity plan. However, it has developed some procedures for some of its critical business functions. It has also appointed a project leader and developed terms of reference for a business continuity planning project.

In our 1998 Fall Report – Volume 2, we recommended that Liquor & Gaming update its written contingency plan and test that plan. PAC considered this matter in January 1999 and concurred with our recommendation.

As stated earlier, a contingency plan is only one component of a business continuity plan. To ensure they can respond to unforeseen incidents without significantly affecting the normal operations, well-managed agencies now prepare a complete business continuity plan.

3. **We recommend that the Liquor and Gaming Authority prepare and the Board of Directors approve a complete business continuity plan.**

Investigation of alleged misuse of money

Background

The Provincial Auditor Act requires our Office to investigate and report to the Legislative Assembly any losses to the Crown through the fraud, default, or mistake of any person. In September 2005, officials of Liquor & Gaming told us that they had become aware of possible misuses of public money by two liquor store employees. We have now completed our investigation of the alleged misuses of public money at Liquor & Gaming. We set out the results of our investigation below.

Liquor & Gaming owns and operates 81 stores in the province divided into 4 regions. A store manager runs each store and regional managers oversee the operations of the stores in their region. Regional managers report to the Vice President of Retail Operations. Some regional managers we interviewed told us that generally they visit stores in their regions often, discuss operational issues with store managers, check inventory status, and weekly sales. They also told us that they investigate differences between the cash sales and cash deposits greater than 10 cents for every $1,000 in sales. However, they could not provide any evidence of such investigation. Nor could they show us the approved policy that required such investigation. We note, Liquor & Gaming has now documented its policy requiring regional managers to investigate differences between sales and deposits greater than 5 cents for every $1,000 in sales.

Liquor & Gaming began changing its "point of sale" (POS) system for its liquor stores in March 2005. The new POS system provides daily sales reports and updates inventory records.

Prior to March 2005, liquor stores used a POS system that accumulated weekly sales and automatically updated the inventory records. Liquor & Gaming required all stores, except for the store at La Loche, to deposit daily sales receipts in local designated banks for transfer to the main bank account in Regina. The following day, Liquor & Gaming receives those deposits in its main bank.

La Loche has no bank close by. Therefore, the store manager takes the deposits to a local general store. The general store takes the deposits and gives a cheque to the store manager. The general store provides this service free and Liquor & Gaming did not have documentary evidence of these arrangements with the general store. Effective September 2005, Liquor & Gaming has documented its arrangements with the general store.

Although we could not find a documented policy, Liquor & Gaming staff told us that prior to February 2005 the La Loche store was required to deposit sales with the general store every two weeks. Now the policy requires the store to deposit sales with the general store at least twice weekly.

Prior to March 31, 2005, Liquor & Gaming required its employees to reconcile each store's accumulated sales for a period of four weeks to the accumulated deposits from that store for the same period. However, employees did not complete these reconciliations on a timely basis. Since 2003, we have reported that Liquor & Gaming needs to ensure its employees do timely bank reconciliations.

The new POS system provides daily sales for each store. Liquor & Gaming requires its employees to reconcile each store's daily sales to the daily deposit from that store. Employees did this reconciliation and identified differences. Differences generally resulted because of night deposits and credit card sales. A supervisor reviews and approves daily sales and bank reconciliations. We note that since August 2005, these reconciliations are no longer timely.

As we stated earlier, for the year ended March 31, 2005, Liquor & Gaming reported liquor sales of approximately $384 million. The liquor sales for the year from its stores totalled $250 million. The average daily sales from all stores amounted to approximately $846,000.

What happened

In late August 2005 and September 2005, Liquor & Gaming informed us that it had identified financial irregularities at its liquor stores at Biggar and La Loche. Liquor & Gaming terminated the store managers in July and August 2005 respectively and reported the matters to the RCMP. We describe below briefly the results of investigations carried out by Liquor & Gaming.

Biggar store

According to Liquor & Gaming's investigation, the Biggar store did not always make the full deposits for liquor sales. Liquor & Gaming found that in December 2004 the store began depositing only a portion of cash sales. The total amounts not deposited approximate $20,000.

La Loche store

The Liquor & Gaming investigation found that the La Loche store began delaying deposits a few years ago. The investigation found that certain employees responsible for reconciling store sales and deposits knew about delayed deposits. According to the investigators, those employees did not report this matter to management.

Liquor & Gaming estimated that the store did not deposit at least $227,000.

Liquor & Gaming continues its investigation.

Objectives of our work

We set two objectives for our work. First, we wanted to determine the amount of the loss of public money at the Biggar and La Loche liquor stores. Second, we wanted to determine the conditions that allowed the loss of public money to occur and remain undetected, and make recommendations for improvement.

In Part 1, we describe the work we did to determine the amount of the loss of public money. In Part 2, we describe the conditions that allowed the loss of public money to occur and remain undetected. Part 2 also includes our recommendations for improvement.

Part 1—Loss of public money

As stated earlier, regional managers of the stores are responsible to control and monitor the liquor sales and spending of their stores. Regional managers provide quarterly sales and expense reports to senior management setting out actual and planned sales and expenses and a forecast to the year-end. The reports explain significant differences between the planned and actual results.

What we did

We examined Liquor & Gaming's plan to investigate the loss of public money. Liquor & Gaming's objectives were to determine:

- if there was a misuse of public money by the suspected employees, and if so, the extent of the misuse and how it was carried out

- if its processes need strengthening to prevent or detect such misuse of public money

Liquor & Gaming's investigation plan was reasonable to achieve the above objectives. Liquor & Gaming did most of the work. We did tests and other procedures as we considered necessary to ensure that Liquor & Gaming's work was adequate for our purposes.

We considered the risk of misuse of public money high for those liquor stores that regularly showed large amounts of outstanding deposits. For this assessment, we used the sales and deposits reconciliations for each store. All stores, except for Biggar and La Loche, had explainable and supported reasons for any significant outstanding deposits, e.g., night deposits, deposits on weekends.

The two stores where the alleged misuses occurred had large outstanding deposits for an extended period. The table below shows outstanding deposits for all the stores combined and the two stores under investigation. The table shows that outstanding deposits increased steadily from 2002 to 2005 at the La Loche store. At March 31, 2005, almost one-third of all the outstanding deposits belonged to the store at La Loche.

Table ($ in thousands) – Outstanding deposits

Year ended March 31	All stores	Store at Biggar	Store at La Loche
2002	$3,460	$23	$130
2003	624	3	152
2004	692	1	258
2005	974	34	338

What we found

Misuse of public money is difficult to detect because the acts are designed to conceal the misuse. Even an audit of every transaction might not reveal all misuse of money if it is concealed by false documentation or collusion with other persons.

We determined that for the period from April 2002 to August 2005, Liquor & Gaming incurred a loss of public money totalling at least $247,000.

We found that Liquor & Gaming did not receive deposits totalling $20,016 from the sale of liquor at its Biggar liquor store. Outstanding deposits increased from $5,412 in December 2004 to $37,246 in June 2005. The outstanding deposits consisted of cash and cheques. After June 2005, the manager of the Biggar store gave some of the cheques included in the outstanding deposits to Liquor & Gaming investigators. Liquor & Gaming deposited cheques totalling $17,230 in its bank account. Accordingly, Liquor & Gaming recovered $17,230 of the total outstanding deposits of $37,246.

We also found that Liquor & Gaming did not receive deposits totalling $227,121 from the sale of liquor at its La Loche liquor store. Outstanding deposits increased from $129,922 in March 2002 to $351,591 in August 2005.

While we have completed our work to fulfill our responsibilities to the Legislative Assembly, Liquor & Gaming continues its investigation. Also, we understand that a police investigation is on going independent of our work.

Part 2—Conditions that allowed loss of public money

No system to safeguard public money can prevent or detect all fraudulent acts because the acts are designed to conceal the fraud and may involve collusion with others. A sound system to safeguard public money creates an environment where errors or frauds are either less likely to occur, or if they occur, are more likely to be detected. Through diligent planning and oversight, an agency's senior management reduces the risk of errors and fraud.

Liquor & Gaming incurred a loss of at least $247,000. This resulted from the following:

- inadequate direction to employees
- lack of compliance with established policies
- poor communication amongst various divisions

We describe below our findings for each of the above conditions.

Inadequate direction to employees

Liquor & Gaming requires its supervisors and managers to supervise the work of employees. However, Liquor & Gaming needs to provide more guidance to help them supervise. Liquor & Gaming needs to improve how it communicates to its employees on how and when they must inform senior management if they suspect any wrongdoing.

Liquor & Gaming requires its regional managers to supervise operations of its many liquor stores. The regional managers have no written direction on what procedures they must follow and how often to achieve this objective. Regional managers we interviewed told us that they generally visit stores in their area often. They also told us that resolving human resource issues is generally the main purpose of their visits. While they look at the periodic sales and expenses reports, they do not inquire if the store managers are up-to-date with their deposits. In addition, they maintain only some written evidence of their work and conclusions.

Liquor & Gaming should require its regional managers to review, discuss, and document the status of any outstanding deposits during their store visits. Also, the regional managers could count inventory during their store visits and agree their counts with inventory records.

Also, Liquor & Gaming requires its supervisors in the Financial Services Branch to ensure employees agree (reconcile) the recorded bank balances to the banks' records regularly. Liquor & Gaming also requires its supervisors to review and approve those reconciliations. The purpose of the review is to ensure the accuracy and proper documentation of those reconciliations. As we report earlier, the employees did not do those reconciliations promptly. However, employees completed all reconciliations by March 31, 2005 and identified outstanding deposits totalling $974,000, but provided no explanation. The supervisors reviewed and approved those reconciliations.

We asked the supervisor who had approved the reconciliations to explain the nature and reasons for some of the outstanding deposits. The supervisor could not give us a reasonable explanation except that such delays are usual every period. When employees do not clearly understand the reasons for the assigned tasks or the established policies, they are more likely to either ignore the policies or do their tasks incorrectly or late. To ensure its employees perform tasks according to established policies, Liquor & Gaming should tell employees the reasons for doing certain tasks in certain ways.

Earlier in this chapter, we report that outstanding deposits from certain liquor stores increased over the past few years. Accounting employees knew about those increases but took no corrective action or questioned the reasons for increases. Liquor & Gaming needs to provide guidance to employees to help foster a culture of fraud awareness.

Many agencies provide fraud awareness training to their employees. Liquor & Gaming should provide such training to its employees. Fraud awareness training would help Liquor & Gaming in fostering a culture of fraud awareness. It would also help employees in detecting and preventing internal and external frauds.

4. **We recommend the Liquor and Gaming Authority clearly set out what work the regional managers must do and how and what they must document for their store visits.**

5. **We recommend the Liquor and Gaming Authority train and direct its supervisory staff to help supervise the work of other employees.**

6. **We recommend the Liquor and Gaming Authority train its employees to help establish a culture of fraud awareness.**

Lack of compliance with established policies

In the past, we have reported that Liquor & Gaming needs to ensure its employees comply with established policies.

Controlling the bank accounts is one of the most basic controls that agencies must exercise. Earlier we recommended Liquor & Gaming should follow its rules and procedures to control its bank accounts. Liquor & Gaming improved the timeliness of the bank reconciliations during the year. However, after the year-end, the bank reconciliations have fallen behind.

Liquor & Gaming has established a code of conduct and conflict of interest policies. Those policies require employees to work for the best interest of Liquor & Gaming. Liquor & Gaming requires its executive officials to sign a checklist confirming that they understand and abide by the code of conduct and conflict of interest policies. However, it has not set out a process to ensure that all other employees also understand and abide those policies.

Management told us that Liquor & Gaming required its managers to discuss with all employees the code of conduct and conflict of interest policies. We could not find any documentary evidence of such discussions.

Liquor & Gaming must ensure its employees follow the established policies. Also, it must inform all employees of the consequences of ignoring the policies.

7. **We recommend that the Liquor and Gaming Authority require all employees to confirm they understand and comply with its code of conduct and conflict of interest policies.**

Poor communication

In large agencies like Liquor & Gaming, various divisions must work together to achieve better results. Poor communication often results in duplication of work and waste of resources.

Financial Services Branch is responsible for all accounting matters relating to liquor stores. Employees of the Financial Services Branch report to the Vice President of Corporate Services. Regional managers are responsible for store operations and report to the Vice President of Retail Operations.

Although regional managers do not document their assessment of store operations, we found them familiar with the culture and environment at each store. The regional manager for La Loche knew the uniqueness of the environment at that store. La Loche has no bank close by or armoured car service. Because the regional manager visits the town frequently, he could have spoken to management of the general store in

La Loche about any problems with the deposits. The Regional manager for that store told us he was not aware of the lack of timely store deposits.

In February 2005, the Vice President of Retail Operations approved a policy requiring the La Loche store manager to deposit sales with the general store at least twice weekly. The regional manager instructed the store manager to do so but did not inform the Financial Services Branch about this change in policy. No one ensured that the store manager complied with the revised policy.

Employees of the Financial Services Branch knew about the delays in receiving deposits from the stores at Biggar and La Loche. They did not inform the regional managers about these delays. We became aware that a store manager confided the reasons for delays with staff of the Financial Services Branch. We find it troubling that staff did not inform the regional manager or senior managers about the magnitude and the reasons for delays in deposits. Earlier, we recommended Liquor & Gaming should train its employees to help establish a culture of fraud awareness.

In June 2002, Liquor & Gaming's internal auditor did an audit of the La Loche liquor store. At the time of the audit, the store had outstanding deposits of approximately $130,000. We have seen no evidence that the auditor knew of the outstanding deposits. The auditor identified deficiencies relating to counting and depositing sales receipts. Although the auditor completed the work in 2002, the audit supervisor did not send the final report to the relevant regional manager until May 2003. We could not find any evidence of how management dealt with the deficiencies reported. Delays in resolving control deficiencies can result in loss of public money.

8. **We recommend the Liquor and Gaming Authority establish a process to ensure its employees share pertinent operational and financial information with each other.**

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Saskatchewan Indian Gaming Authority Inc.

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Main points

Saskatchewan Indian Gaming Authority Inc. (SIGA) has made good progress to address all of our past recommendations. However, some significant work remains. SIGA has not yet implemented necessary policies and procedures for certain operating areas (e.g., ancillary, marketing, and promotion). Also, SIGA needs to prepare an information technology strategic plan and security policies and procedures for its information technology.

While SIGA's compliance with approved policies improved in 2004-05, it needs to do more to ensure its employees understand and follow the approved policies. SIGA incurred expenses that did not comply with approved policies. Staff and management did not always follow the approved policies relating to delegation of authority, supporting payments for travel, business expenses, marketing, promotion, and sponsorship. SIGA can help ensure compliance by staff and management by providing more training, and clear written guidance to staff on how to do their assigned tasks. Also, SIGA must foster a culture of compliance with rules by promoting zero tolerance for non compliance.

We also report that SIGA's consolidated financial statements for the year ended March 31, 2005 are reliable.

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has licensed SIGA to operate four casinos. These casinos are known as Northern Lights, Gold Eagle, Painted Hand, and Bear Claw.

Northern Lights Casino is located in Prince Albert, Gold Eagle Casino is located in North Battleford, Painted Hand Casino is located in Yorkton, and Bear Claw Casino is located on the White Bear First Nation. All casinos are located on various First Nation reserves. These casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

Liquor & Gaming has licensed SIGA to conduct and manage table games. Under the licenses, SIGA is required to use the net profits from the operations of licensed table games for First Nations' charitable or religious purposes.

As required by section 207 of *The Criminal Code of Canada*, Liquor & Gaming owns the slot machines located in SIGA's casinos. The revenue from the slot machines belongs to Liquor & Gaming and is, therefore, public money.

Under the 2002 Casino Operating Agreement[1], Liquor & Gaming has allowed SIGA to deduct reasonable costs of operating casinos, as determined by Liquor & Gaming, from the slot machine revenues. SIGA is required to remit the remainder to Liquor & Gaming. The 2002 Casino Operating Agreement allows SIGA to recover, in any year, any net loss from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

Table 1 summarizes results of SIGA's casino operations. The casino operations include slot machines, table games, and ancillary (i.e., gift shops, restaurants and lounges). The Table shows the net casino profits that SIGA made for Liquor & Gaming during the last four years.

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[1] The 2002 Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting our terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Table 1 – Net profits (in $000) from SIGA operated casinos

Segment	2005	2004	2003	2002
Slot operations	$ 36,641	$ 35,843	$ 32,146	$ 26,855
Ancillary operations	(2,354)	(1,976)	(1,742)	(1,400)
Table operations	(332)	(687)	(1,036)	(620)
Net profit	$ 33,955	$ 33,180	$ 29,368	$ 24,835

The Table shows that since 2002 the net profits from slot operations increased by about $10 million. The net profits from slot machines increased because during the last four years, Liquor & Gaming installed more slot machines in SIGA casinos. Slot machines in SIGA casinos increased from 620 in 2002 to 995 in 2005. The total slot machine revenue increased from $68 million in 2002 to $93 million in 2005. For the same period, SIGA's slot machine expenses increased from $41 million to $56 million in 2005.

Background

The Government of Saskatchewan and the FSIN made an agreement called the 2002 Framework Agreement (Agreement) effective from June 11, 2002 to June 11, 2027. The Agreement permits the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*.

To implement the 2002 Framework Agreement, Liquor & Gaming and SIGA signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027.

SIGA currently operates four casinos under the terms of the 2002 Casino Operating Agreement. Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos as required by *The Criminal Code of Canada*.

Liquor & Gaming expects SIGA to propose spending and casino operating policies for Liquor & Gaming's approval. Under the 2002 Casino Operating Agreement, SIGA is entitled to deduct the casinos' operating expenses, incurred in accordance with the operating policies and directives approved by Liquor & Gaming, from slot machine revenues. SIGA is required to deposit the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the 2002 Casino Operating Agreement.

When Liquor & Gaming determines that any expenses that SIGA has incurred are not reasonable (i.e., expenses that did not follow the approved policies and directives), it recovers such expenses from future amounts due to the First Nations Trust Fund. Liquor & Gaming does so because SIGA has no money of its own. SIGA has no money of its own because revenues from the slot machines belong to Liquor & Gaming and SIGA must use any net income from the licensed table games for charitable or religious purposes. As a result, First Nations people bear the cost when SIGA incurs unreasonable expenses because SIGA belongs to them.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming. In addition, SIGA's members have appointed the Provincial Auditor as SIGA's auditor.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- **SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

- **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except for the matters described in this chapter**

- **SIGA's consolidated financial statements are reliable**

Controls to safeguard public resources

In our past reports to the Legislative Assembly, we made several recommendations to strengthen SIGA's rules and procedures to safeguard public resources. SIGA accepted our recommendations. SIGA, however, has not fully implemented all our recommendations.

Accordingly, many of the deficiencies we reported in our past reports continued in 2005. Exhibit 1 on pages 202 to 205 summarizes our past recommendations and the status of the implementation of those recommendations as at March 31, 2005.

To help SIGA implement our recommendations, Liquor & Gaming set and communicated priorities (Directives) to SIGA. One of those Directives requires SIGA to accept and implement new policies and procedures mandated by Liquor & Gaming. Liquor & Gaming expects SIGA to propose spending policies for Liquor & Gaming's approval. The 2002 Casino Operating Agreement requires SIGA to comply with Liquor & Gaming's Directives by August 15, 2005. The Agreement also requires SIGA to sustain that compliance for at least two consecutive years. If SIGA does not meet these conditions, Liquor & Gaming may not allow SIGA to continue to operate Liquor & Gaming's slot machines.

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to their employees. Second, they require management to establish processes to ensure employees follow the guidance provided in carrying out their tasks. Third, they monitor how well they are progressing towards achieving their established goals.

During the year, SIGA made some progress but more work remains. We describe briefly what SIGA must do to provide effective guidance to its employees, ensure its employees' follow the guidance provided, and monitor how well it is progressing towards achieving the established goals and objectives.

Effective guidance to employees

In our 2004 Report – Volume 3 and our past reports, we said SIGA needed to document and communicate all policies to its employees. Documented policies provide employees guidance to understand and follow the policies. SIGA still has not fully documented and communicated policies in some significant areas.

SIGA needs to document and communicate policies in the following areas.

Ancillary operations

In 2005, SIGA had ancillary revenue of $6.5 million (2004 - $6 million) and expenses of $8.9 million (2004 - $8 million).

Losses from ancillary operations have increased from $1.4 million in 2002 to $2.4 million in 2005. Since 2002, we have recommended that SIGA needs to establish policies and procedures for its ancillary operations. SIGA has not done so.

During 2004, employees prepared a draft ancillary operations manual setting out policies and procedures to control and monitor ancillary operations. However, management has not implemented the manual because the Board of Directors has not formally considered and approved the manual. Because management has not implemented any monitoring procedures, staff did not always explain differences between the planned and actual results for ancillary operations.

SIGA uses the cost of inventory to determine the selling price of ancillary merchandise. Employees, however, did not always update the inventory cost records promptly. Delays in updating the inventory costs increase the risk that SIGA may not fully recover its costs of ancillary merchandise. Inaccurate inventory records could result in less than full recovery of the purchase price of the merchandise sold. For this reason, SIGA needs to ensure employees update the inventory records promptly.

Accounting and reporting

Since 1999, we have recommended that SIGA must establish adequate policies and procedures to ensure its books reflect its business operations and there is support for all transactions.

To do so, SIGA must propose and Liquor & Gaming must approve adequate policies. SIGA has proposed and Liquor & Gaming has approved almost all operating policies. SIGA must also ensure that management provides guidance to help employees follow the approved policies in doing the assigned tasks. SIGA has not fully done so.

SIGA has not documented and communicated guidance to employees in the following areas:

- support and authority necessary to make payments, adjust financial records, and transfer money between bank accounts
- monitoring of cash discrepancies (overages or shortages)

Although management has drafted some procedures for staff guidance, the Board and Liquor & Gaming have not yet approved those procedures. Nor has management communicated those procedures to SIGA's employees. As a result, employees do not have readily available guidance to do all their tasks.

Because management has not provided adequate guidance to employees, they did not always ensure approved and documented support for all recorded transactions. For example, employees processed:

- payments totalling nearly $4,000 for cigarettes and tobacco products. Documents attached to payment requests did not show who received these items.
- a payment of $20,611 for "staff training kits". The payment request did not include evidence of receipt of goods.

Because employees did not have adequate guidance for making changes to financial records and making transfers between bank accounts, they made changes to the financial records without adequate support and approval. Employees also made transfers between SIGA's bank accounts before management approved such transfers.

Hospitality organizations including casinos often encounter differences between the cash on hand recorded in their accounting records and the actual cash on hand. Such differences are commonly known as cash overages/shortages. Mostly, unintentional human errors and/or machine errors cause these overages/shortages. To ensure employees properly monitor, follow up, and resolve all overages/shortages, such organizations establish processes to ensure overages/shortages are not intentional. Those processes would set out who is responsible for monitoring, how to monitor, and who must review the results of such monitoring.

Management has not established and communicated processes for monitoring cash overages/shortages. As a result, staff did not always adequately explain the cash overages/shortages.

When employees do not have clear and documented guidance, there is a risk that they may not do their tasks as expected or may not do them at all. This could result in unsupported and unreasonable transactions. When Liquor & Gaming determines that any expenses that SIGA has incurred are not reasonable, it recovers those expenses from future amounts due to the First Nations Trust Fund.

We continue to recommend that SIGA should establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.

On October 12, 2005, management told us that SIGA has recently hired a permanent Vice-President of Finance and Administration. Also, management told us that SIGA has provided training to staff on processing of payments and monitoring of cash overages/shortages.

Marketing and promotion

In 2005, SIGA spent approximately $7 million (2004 - $6.7 million) for marketing and promotion. Marketing and promotion includes advertising, complimentary goods/services, promotional merchandise, entertainment, and public relations.

Since 1999, we have recommended that SIGA needs to establish policies for marketing and promotion. SIGA has not fully done so. SIGA has not established and Liquor & Gaming has not approved policies for controlling public relations events such as golf, entertainment, and cultural events. Such policies should set the supporting documents for seeking approval for such events, who can approve such events, who can attend such events, and why.

Every year, SIGA establishes and Liquor & Gaming approves a budget for marketing and promotion. However, SIGA has not yet established and

Liquor & Gaming has not approved some policies for marketing and promotion activities. When employees do not know what they must achieve with the resources provided, there is a risk that they may use those resources inappropriately or may not use them at all.

We continue to recommend that SIGA establish complete policies for marketing and promotions.

Information technology

SIGA needs to establish adequate information technology (IT) security policies and procedures to ensure the confidentiality, privacy, integrity, and availability of its information systems and data. Without adequate IT policies, employees may not know the rules to ensure the protection of SIGA's systems and data. Also, management may not know if it has addressed all the threats and risks to SIGA's security. An IT strategic plan can help management do so.

In 2004, SIGA's IT staff prepared a draft IT manual that includes IT security policies and procedures. Not all employees use the draft manual. Employees do not do so because senior management and the Board have not approved and provided the manual to all staff. Nor has Liquor & Gaming approved the draft manual.

Also, SIGA's IT staff prepared a draft IT strategic plan. Senior management and the Board have not reviewed the draft IT strategic plan. Accordingly, senior management and the Board do not know if the draft IT strategic plan has addressed all the threats and risks.

Without established IT policies and procedures, SIGA risks unauthorized disclosure of confidential information, reliance on incomplete and/or inaccurate information, and loss of vital information. Also, without an approved IT strategic plan, SIGA may not know if it has addressed all IT risks.

Management needs to review the drafted IT strategic plan and ensure it is consistent with SIGA's overall strategic plan. The SIGA Board should approve an IT strategic plan and the IT policies and procedures. SIGA should then communicate the approved IT plan, policies, and procedures to employees.

SIGA faces a challenge to complete these tasks because its senior manager responsible for IT left SIGA in January, 2005. At the time of our audit, this position was still vacant.

1. **We recommend that management review and the Board approve an information technology strategic plan for the Saskatchewan Indian Gaming Authority Inc.**

2. **We recommend that Saskatchewan Indian Gaming Authority Inc.'s Board of Directors approve the information technology policies and procedures.**

Management told us that in September 2005 the Board delegated the approval of information technology policies and procedures to management.

Ensuring compliance with established policies

In our 2004 Report – Volume 3 and our prior reports, we said SIGA must train its employees so that they follow the established policies to do their tasks. We also said SIGA should ensure its employees comply with established policies. During the year, we noted an improvement in employees' compliance with established policies. However, SIGA needs to do more to ensure all of its employees understand the reasons for the established policies and follow those policies. As we said earlier, when Liquor & Gaming determines that any expenses that SIGA has incurred are not reasonable (e.g., expenses that did not follow the approved policies), it recovers such expenses from future payments due to the First Nations Trust Fund. Liquor & Gaming has not yet finished its review of SIGA's 2004-05 spending.

We describe below the significant areas where staff did not comply with approved policies.

Delegation of authority

SIGA has established an appropriate delegation of authority. The policy sets out who is responsible to authorize specific transactions. Employees, however, did not always comply with the policy. We provide below some examples of non-compliance with the established delegation of authority policy.

The policy requires the Chair of the Board or any member of the Audit Committee of the Board to approve out-of-province travel and expense claims for the President. In September 2004, the President approved for payment an invoice that included his own travel expenses of approximately $1,100.

The policy also requires two levels of approval for Board members' pay and expense claims. The President alone approved some pay and expense claims for Board members during the year.

Payment support

SIGA's policy requires employees to document who received goods and services before paying suppliers. However, employees did not always leave evidence of who received goods and services and when. As a result, SIGA may have paid for goods and services that it did not receive. For example:

- SIGA paid for some golf tournaments and other public relations events without any evidence of who attended the event and why.
- SIGA paid employee relocation costs without requiring employees to provide support for actual expenditures. Employees did not always provide support for claiming real estate fees.
- SIGA reimbursed employees for business expenses without appropriate documentation of the business purpose for such expenses.

Travel and business expenses

SIGA has established a travel and business expense policy that Liquor & Gaming has approved. The policy sets out authorized rates for meals, transportation, and hotels. Employees did not always comply with the approved travel and business expense policy.

For example, SIGA's travel policy requires employees to stay in standard rooms at non-luxury hotels at corporate rates unless there is evidence that standard accommodation was not available or a non-standard room was necessary. However, employees stayed in suites and/or non-standard rooms without evidence that standard accommodation was not available.

Also, employees claimed and received meal expenses in excess of approved rates. Although the claims did not comply with the approved policies, managers approved those claims for payment. Approval of transactions that do not comply with policies sends the message to employees that non-compliance with policies is acceptable.

Marketing, promotion and sponsorship

In 2005, SIGA spent $8.1 million (2004 - $8.1 million) on marketing, promotion, and sponsorship.

SIGA has established a sponsorship policy and various marketing policies that Liquor & Gaming has approved.

The sponsorship policy sets out criteria for approving various sponsorship requests. However, we found SIGA employees did not always follow the established policy. As a result, SIGA sponsored events and projects that do not qualify under the approved policy.

For example, we found that SIGA paid $25,000 to the Federation of Saskatchewan Indian Nations to sponsor two assemblies. First Nations assemblies are political gatherings. SIGA's sponsorship criteria do not allow sponsorship of political events. Management told us that SIGA considers the assembly gatherings as public meetings rather than political events. However, management told us that SIGA has stopped sponsoring such assemblies.

During the year, SIGA implemented various policies and procedures for marketing and promotion. One of those policies related to complimentary items. The policy states that SIGA employees are not eligible for complimentary items such as food and beverage, promotional merchandise, golf, hotel, and entertainment tickets. However, SIGA often provided concert tickets and promotional merchandise to its employees.

SIGA does not maintain adequate records of who received promotional items and why. Adequate records would clearly show the promotional items purchased, who received the items and why, and how many items remain in inventory.

For example, SIGA made payments totalling nearly $47,300 to buy T-shirts, ski pants, golf balls, silver pens, and jackets/vests. SIGA's records did not show how many items have not yet been given away and where they are kept. SIGA also paid $15,000 to purchase gift certificates for a prize giveaway. However, SIGA's records did not show the promotional event for this prize giveaway.

SIGA's promotion policy requires each casino to regularly report on its promotional activities. Casinos must prepare promotional proposals, including a cost-benefit analysis, and submit these proposals to central office for approval. Casinos must also prepare and submit an evaluation report upon completion of the proposed event. Casinos, however, did not always prepare and submit required reports to central office. As a result, SIGA cannot determine if the significant promotional events achieved their intended objectives.

Conflict of interest

SIGA has established code of conduct and conflict of interest policies.

Under the policies, employees must complete and sign a checklist (form) stating that they understand the policies and have complied with those policies. The policies also require management to review and approve all completed forms. In some cases, however, employees did not complete the forms and in some other cases, there was no evidence that management has reviewed and approved the completed forms.

When employees do not face consequences for their failure to follow established policies, they receive the wrong message. They receive the message that non-compliance with established policies is acceptable. SIGA should ensure its employees know that those who continue to ignore the established policies will face consequences.

Management told us that SIGA has recently implemented an electronic process to ensure conflict of interest forms are properly completed and approved.

Accounting

SIGA has established policies to control its bank accounts, capital assets, and inventory. However, employees did not always comply with these policies. We provide examples of non-compliance below.

- The established policies require employees to agree all recorded bank balances to the bank's records (bank reconciliations) regularly. The policies also require an independent official to review and approve the bank reconciliation.

  We noted employees regularly prepared bank reconciliations throughout the year. However, there was no evidence of independent review and approval of the bank reconciliations from October 2004 to February 2005. Independent approval of bank reconciliations reduces the risk of loss of money and errors in the financial records.

- The approved accounting policies require employees to verify the support and proper approval of transactions before processing. Employees did not always know what support they must receive and who must approve the transactions. We found instances where employees made payments without proper support and approval. Some payment requests had approvals of employees who did not have that authority. Also, some payment requests did not include the required support. For example, employees processed payment requests for travel claims. Some of the travel claims did not:

  - show the time of travel that would support meal allowances
  - include the appropriate hotel bills that would support the accommodation charges (e.g., overnight stay in Regina but the bill attached from a hotel in Yorkton) and why some charges exceed the standard corporate room rates
  - have the appropriate approval of the authorized officials

We continue to recommend that SIGA should establish rules and procedures to ensure that employees comply with established polices.

Monitoring performance

Boards of Directors of well-managed agencies review and approve their agency's mission, vision, and strategies periodically and when major shifts occur. SIGA's Board has approved SIGA's mission, vision, and strategies (strategic plan) and has determined goals and objectives for SIGA. Liquor & Gaming has also approved SIGA's strategic plan. Consistent with its strategic plan, SIGA also prepared and Liquor & Gaming approved SIGA's 2004-2005 business plan, marketing plan, and human resources plan. We commend SIGA for doing so.

Strategic and business plan

SIGA's Board monitors SIGA's performance towards achieving established goals through reports it receives from management and its internal auditor. The Board currently receives separate financial, operational, and human resource reports. The reports the Board receives are adequate and provide necessary information.

However, the Board needs to receive a comprehensive report to show progress towards the detailed performance measures/targets as identified in the strategic and business plans.

To monitor employees' compliance with the approved policies, the Board requires the internal auditor to provide periodic reports on the probity and propriety of expense transactions and to make recommendations for improvement when necessary.

We have examined the reports the internal auditor provides to the Board. The reports are adequate and useful. We commend the Board for establishing this process. Now, the Board should require management to set out a detailed plan to address the findings of the internal auditor and his recommendations for improvement. Also, the Board should demonstrate that repeated non-compliance with policies is not acceptable.

Staff performance

SIGA's approved human resource policies require annual performance evaluations for employees.

SIGA did not monitor the performance of its employees on a timely basis. Timely evaluation of employees is important to ensure they continue to perform as expected. The evaluation could also provide opportunities for further training and promotion for deserving employees. At the time of our audit, SIGA had only reviewed the performance of about half of its central office employees.

In 2003, SIGA and Liquor & Gaming agreed on criteria for evaluating the President's performance. The evaluation determines the bonus SIGA can pay its President. During 2004-05, the Board evaluated the President's performance for 2002-03 and 2003-04. However, the Board used different criteria for these evaluations.

The performance evaluation policy that Liquor & Gaming approved requires the Board to establish revised criteria, if necessary, before the beginning of the fiscal year. The Board revised the evaluation criteria in 2004 and used the revised criteria to evaluate the President's performance for the past two years. Liquor & Gaming informed SIGA that this practice is not acceptable under the approved evaluation policy.

Based on revised criteria, the Board paid the President nearly $112,000 as bonuses for the above years. Had the Board used the agreed upon criteria, the bonus paid would have been about $42,000 less.

SIGA's Audit and Finance Committee told us that for the years 2002-04, the Board had directed the President to focus on developing new casinos. The Committee also told us that the Board revised the President's bonus criteria to better reflect the Board's revised expectations for the President's performance.

Exhibit 1

Status of the implementation of our past recommendations as at March 31, 2005.

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
1. SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
2. SIGA should document and communicate to its senior management the goals and objectives of SIGA.	2000 Fall Report – Volume 2	2004 – 2007 Strategic Plan – March 2004	March 2004	✓		
3. SIGA's Board should establish an appropriate conflict-of-interest policy for Board members and management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
4. SIGA's Board should ensure all Board members and senior management comply with the established conflict-of-interest policy.	2000 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
5. SIGA should prepare a complete business and financial plan for its operations.	2000 Fall Report – Volume 2	2004/05 business plan – March 2004	March 2004	✓		
6. SIGA's Board should define its management reporting needs and communicate those needs to management for regular reporting. - Financial reporting - Performance reporting	2000 Fall Report – Volume 2	N/A	N/A	✓	✓	
7. SIGA should establish an independent internal audit function that should report directly to the Board.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
8. SIGA should report publicly through FSIN and Liquor & Gaming setting out SIGA's planned results and actual results.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
9. SIGA should make public through FSIN and Liquor & Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
10. SIGA's Board should establish appropriate delegation of authority rules for management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
11. SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.	2000 Fall Report – Volume 2	Senior Mgt. Wage Grid – May 2003 Cell phones and Vehicles – July 2003, various other policies – March 2004	December 2003 & March 2004		✓	
12. SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.	2000 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
13. SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.	2000 Fall Report – Volume 2	September 2003 & January 2004	December 2003 & February 2004		✓	
14. SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
15. SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.	2000 Fall Report – Volume 2	Marketing & promotion policies – March 2004 Sponsorship – N/A	March 2004 November 2000 Directive for sponsorship		✓	

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
16. SIGA should establish rules and procedures to ensure that only authorized persons can access its financial systems.	2001 Fall Report – Volume 2	N/A	N/A		✓	
17. SIGA should properly segregate the duties of its employees.	2001 Fall Report – Volume 2	September 2003	December 2003		✓	
18. SIGA should establish rules and procedures to ensure compliance with the Casino Operating Agreement.	2001 Fall Report – Volume 2	N/A	N/A		✓	
19. SIGA should incur only costs necessary to operate its casinos under the Casino Operating Agreement.	2002 Fall Report – Volume 2	N/A	N/A		✓	
20. SIGA should ensure the staff comply with the sponsorship policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
21. SIGA should establish rules and procedures to ensure that staff comply with its delegation of authority policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
22. SIGA should: -periodically monitor the actual house advantage for table games to ensure games are being played in accordance with approved rules; and -establish appropriate rules and procedures to monitor expected and actual revenue of table games and communicate these to casino staff.	2002 Fall Report – Volume 2	N/A	N/A	✓		
23. SIGA should comply with the terms and conditions of its gaming licence.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
24. SIGA should comply with its annual report policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
25. SIGA should amend its agreement with the internal auditor to allow us full access to the internal auditor's files and records.	2003 Report – Volume 3	N/A	N/A	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
26. SIGA should: -complete and implement its human resource plan; -ensure its casinos consistently follow established human resource policies; -prepare and provide to the Board more information about how SIGA is managing its staff retention risks; -prepare and provide to the Board more information about the effectiveness of SIGA's training activities.	2003 Report – Volume 3	N/A	N/A	**Not evaluated as part of current year audit because SIGA needs time to address these recommendations. Planned to follow up in 2005 - 06**		
27. SIGA should provide annual audited financial statements to Liquor & Gaming and the Director of the Corporation Branch in accordance with the 2002 Casino Operating Agreement and The Non-Profit Corporation Regulations 1997.	2004 Report – Volume 3	N/A	N/A	✓		

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Information Technology Office

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Main points

The mandate of the Information Technology Office (ITO) includes developing, promoting, and implementing policies and programs of the Government of Saskatchewan relating to information technology (IT) and information management. At March 31, 2005, it had adequate rules and procedures to safeguard public resources and complied with authorities governing its activities.

The ITO has begun to deliver IT services that were previously delivered by individual Government agencies. At September 30, 2005, the ITO delivered IT services for 10 agencies and is in discussions with others.

Our audit examined whether the ITO has adequate processes to manage the delivery of agreed-upon IT services to clients. To adequately manage the delivery of IT services, we expected the ITO would:

- establish service delivery processes
- implement service level agreements with clients
- manage ongoing service delivery

The ITO has established service delivery processes to enable it to consolidate IT functions while serving clients on an ongoing basis. The ITO has adequate processes to manage delivery of IT services, except in the following two areas.

The ITO needs to sign service level agreements with its clients before delivering IT services. Service level agreements describe the responsibilities of the ITO and its clients, including the services provided and delivery targets. Signed service level agreements help the ITO and its clients understand their responsibilities.

The service level agreements do not adequately identify security and disaster recovery requirements for the ITO and its clients. The ITO should sign agreements with its clients that include security and disaster recovery requirements. We note that the ITO has begun to sign agreements (charters) with its clients that address security requirements.

The Information Technology Office

During 2004-2005, *The Information Technology Office Regulations* established the Information Technology Office (ITO) as a department of the Government of Saskatchewan. The mandate of the ITO includes: "to develop, promote, and implement policies and programs of the Government of Saskatchewan relating to information technology and information management."[1] The ITO carries out this role to support its vision of "enabling excellence in government service delivery through leadership and exceptional customer service in information technology."[2]

For further details regarding the ITO's mandate and operations, consult its publications at its web site at http://www.ito.gov.sk.ca.

Financial overview

The following is a list of the ITO's major programs and spending. For further detail, see the ITO's 2004-2005 Annual Report available on its web site.

	Estimates[3]	Actual
	(in thousands of dollars)	
Administration	$ 476	$ 513
Accommodation and Central Services	156	167
Information Management and Technology Initiatives	3,692	3,464
	$ 4,324	$ 4,144

Audit conclusions

The following are our audit conclusions for the fiscal year ending March 31, 2005.

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[1] *The Information Technology Office Regulations*, s. 3(b).

[2] Information Technology Office, *Performance Plan 2005-06*, p.5.

[3] *Public Accounts 2004-2005: Estimates*, p.95. The Information Management and Technology Initiatives includes a Supplementary Estimate of $1.715 million (from *2004-05 Supplementary Estimates – November*).

In our opinion:

- **the ITO had adequate rules and procedures to safeguard public resources**
- **the ITO complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing**

The remainder of this chapter discusses the results of our audit of the ITO's service delivery processes.

Managing IT service delivery

Information technology (IT) plays a crucial role in helping the Government provide services. The ITO provides coordination and leadership of information technology for the Government.

The role of the ITO has evolved in recent years. Now a stand-alone government agency, the ITO has begun to deliver information technology services that were previously delivered by individual departments. Through this consolidation of information technology services, the Government intends to reduce IT costs, improve the efficiency and effectiveness of IT service delivery, enhance security, use IT to transform internal business processes and improve citizen/business service delivery.[4]

Exhibit 1 sets out the agencies (clients) that are members of what the ITO calls the IT service delivery partnership as at September 30, 2005. Exhibit 1 also sets out the agencies that are in the process of joining the IT partnership and those that are in discussions with the ITO. The ITO expects that all departments will eventually join. The ITO is not seeking partnerships with Crown Investment Corporation of Saskatchewan and related corporations.

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[4] Ibid., p. 3.

Exhibit 1—Agency participation in IT consolidation at Sept. 30, 2005

Agencies in IT partnership	Agriculture and Food Culture, Youth and Recreation First Nations and Métis Relations Government Relations Highways and Transportation Industry and Resources Northern Affairs Rural Development Saskatchewan Municipal Board Saskatchewan Grain Car Corporation
Agencies in the process of joining the IT partnership	Finance Executive Council
Agencies in discussions with the ITO to join the IT partnership	Learning Environment Public Service Commission Health Labour Community Resources and Employment Justice Corrections and Public Safety Saskatchewan Property Management

Source: Information Technology Office

As the IT service provider for multiple departments, the ITO must provide adequate services that meet the expectations of its clients. The process of planning, co-ordinating, drafting, agreeing, monitoring, and reporting on services is called service level management.

Adequate service level management promotes a clear understanding of roles and responsibilities. It also helps maintain effective relationships with clients. Without adequate processes to manage the delivery of IT services, the ITO risks not meeting client needs and not achieving cost reductions. To achieve its goal of attracting all departments into the IT partnership, the ITO must meet the needs of its clients.

Audit objective and criteria

The objective of this audit was to assess whether the Information Technology Office has adequate processes to manage the delivery of agreed-upon information technology services to clients. We focused on the Information Technology Office's processes at September 30, 2005.

The criteria in Exhibit 2 set out the main elements that we looked for in our audit. The criteria reflect the IT Service Management component of the Information Technology Infrastructure Library (ITIL).[5] The ITO agreed with these criteria. We describe these criteria in more detail when we set out our expectations under key findings.

Exhibit 2—Audit Criteria

To adequately manage the agreed-upon delivery of IT services to clients, the ITO must:

- establish service delivery processes
- implement service level agreements with clients
- manage ongoing service delivery

Conclusion

The tasks of consolidating IT services and serving clients during the transition period and on an ongoing basis are large. The ITO has needed to develop and refine service delivery processes as IT consolidation proceeds. The ITO has developed extensive processes that are serving it well. The structures and systems it has developed are allowing the ITO to manage ongoing delivery of IT services while serving additional clients.

In our opinion, at September 30, 2005 the ITO had adequate processes to manage the agreed-upon delivery of IT services to clients except that:

- **the ITO needs to sign service level agreements with its clients before delivering IT services**
- **the ITO needs to sign agreements with its clients that include security and disaster recovery requirements**

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[5] ITIL in turn reflects British Standards BS 15000 and International Organization of Standards ISO 20000, standards for IT service management.

Key findings (by criterion)

In this section, we set out our expectations (in italics) for each of the criteria together with our key findings. We describe the processes the ITO used to manage the delivery of IT services to clients. To do this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Establish service delivery processes

In establishing service delivery processes, we expected the ITO to:

- *define roles and responsibilities for service delivery*
- *define objectives and the scope for service delivery*
- *develop a communications strategy*
- *review and modify its processes as necessary*
- *identify risks that could interfere with achievement of its objectives*

The ITO's processes include documenting roles and responsibilities for both the ITO and clients. The ITO clearly sets out roles and responsibilities in documents called project charters. These govern the relationship between the ITO and its clients.

The ITO also negotiates detailed agreements on what services the ITO will provide and what levels of performance are expected. These service level agreements between the ITO and its clients clearly set out roles and responsibilities. The ITO provides significant other guidance to clients related to service delivery. This guidance includes, for example, draft terms of reference and position summaries for committees and individuals within client agencies.

The ITO has clearly defined the objective and scope of its plan to consolidate IT services. It describes its objectives in its Performance Plan. The ITO has an operational plan for consolidation and documents key activities in its Performance Plan. The ITO also describes planned activities and general intended results in presentations. It sets out the objective and scope for its work in separate project charters with each client.

The ITO has developed and documented a communications strategy to address the communications issues involved in consolidating IT services.

The communications strategy considers challenges for the many stakeholders including government staff, the private sector, and the public. The strategy sets out activities intended to respond to challenges.

The ITO reviews its service delivery processes. It makes changes to its processes as needed. As a more formal method for obtaining client feedback, the ITO indicates that it is planning to adapt its automated systems to obtain client comments at the time it provides services. The ITO also indicates that it plans to survey its clients.

The ITO has made good progress to systematically identify and document the risks and challenges that it faces. It has identified the most serious risks and developed mitigation strategies. The ITO also identifies risks relating to each client. The process to gather information that the ITO undertakes with each client positions the ITO to deliver services and helps the ITO mitigate risks.

Implement service level agreements with clients

To successfully implement service level agreements with clients, we expected that the ITO would:

- *catalogue the services to be provided*
- *establish service level requirements*
- *enter into formal service level agreements*
- *communicate service level agreements*

The ITO has defined the information it needs to collect from potential clients. The ITO collects information on client IT human resources, IT costs, IT infrastructure, and applications. The ITO uses standard forms to collect the information. This increases the consistency and completeness of the information.

The ITO collects additional data through discussions with client staff. The discussions start with meetings between the ITO and client senior management. Also, the ITO meets with business unit and IT staff. The purpose of these meetings is to understand the client's operations and the levels of service the client will require. These processes allow the ITO to collect sufficient information from the client.

After the ITO has completed its client review processes, it provides client senior management with a written report. The client is then responsible for deciding whether it wants to join the partnership.

If the client decides to join, the client and the ITO will sign a project charter and a service level agreement. The project charter outlines the terms and conditions of the transition to ITO delivered services. The charter also includes processes for communicating the service delivery change to client staff.

The ITO and its clients finalize service level expectations during the transition period by signing service level agreements. The service level agreement sets out the roles and responsibilities of both the ITO and the client for delivery of IT services. For example, the agreement describes the services to be provided by the ITO (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as establishing new email accounts within five days), and the term of the agreement.

As more clients join the IT partnership, the ITO's processes are changing. The service level agreements that the ITO uses have similarly evolved. The ITO has revised existing service level agreements to reflect refinements contained in later versions.

We describe below two areas where the ITO needs to improve its processes.

Service level agreements required

The ITO provides IT service delivery for ten clients. At September 30, 2005, four of these clients did not have signed service level agreements.

The ITO needs to sign service level agreements with its clients. As described above, these must be in place prior to the end of the transition period to ensure that the ITO and its clients understand their respective roles and responsibilities. Without signed service level agreements, there is risk that client needs may not be met.

1. **We recommend the Information Technology Office sign service level agreements with its clients prior to delivering information technology services.**

Service level agreements need to address security and disaster recovery requirements

The service level agreements need to identify security and disaster recovery requirements of both the ITO and the clients.

The service level agreements are clear, understandable, and contain most of the elements needed for a strong agreement. However, the ITO should strengthen the agreements to address security and disaster recovery processes.

The security requirements in the service level agreements include the ITO having procedures to monitor unauthorized use of its own and client systems and to act in an emergency to counteract unacceptable use of the network. There are also password requirements in the agreements. The agreements have limited content regarding backups and no detailed requirements for disaster recovery.

The service level agreements should require audits that assess the adequacy of security controls at the ITO. This would provide assurance to clients on the confidentiality, integrity, and availability of systems and data. The ITO should provide the results of these audits to its clients. Also, the agreements need to document the disaster recovery requirements of the ITO and its clients. The ITO should provide reports on recovery processes to its clients.

Stronger processes would enable both the ITO and its clients to monitor the security and availability of information systems and data. Without approved security and disaster recovery processes, the security and availability of systems and data may be at risk.

2. **We recommend the Information Technology Office sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.**

We note that the ITO has developed a security charter. The charter sets out the roles and responsibilities of the ITO and clients related to security.

The charter is intended to cover the same period as the service level agreement. At September 30, 2005, the security charter had been signed by two clients. The ITO told us that, in the future, it will require clients to sign the charter as a condition of providing service.

Manage ongoing service delivery

To successfully implement service level agreements with clients, we expected that the ITO would:

- *monitor service delivery*
- *report on service delivery results*
- *hold periodic service review meetings with clients*
- *make necessary changes*

The ITO uses a central call centre to address all service request issues and help monitor service delivery. The call centre maintains information on the number and type of service requests and the number of requests resolved or needing resolution.

Staff at the ITO meet daily to review service level results from the prior day. These service level results include, for example, the time taken to reset a password or restore interrupted service. The ITO introduced the daily review of service level results in April 2005. Daily reviews helped the ITO address service delivery issues and better ensure that service delivery targets are met.

The service level agreements require the ITO to provide clients with monthly and quarterly reports. The reports are to include monthly invoices, financial reports with forecasting information, and service delivery results. The reports are to be reviewed by an information technology management committee (committee) at the client. The committee and the ITO are to meet regularly to discuss service delivery issues. The committee is also responsible for identifying potential changes required to service delivery levels.

Reports provided by the ITO before August 2005 lacked key information. For example, the ITO did not include financial forecasts or variance explanations. The performance reports only identified service delivery targets and results. The reports did not identify security issues, the status of key projects, or outstanding issues. Also, not all clients were receiving the required reports.

Starting in August 2005, the ITO began improving its reporting to clients. Monthly reports included additional information on service requests, including problems that had not been resolved. The reports also provided clients with information on the status of key projects, regular forecast information, information on changes (e.g., new staff contacts at the client or the ITO, changes to processes, etc.) as well as a listing of any security breaches that had occurred.

The reports that began in August 2005 are not fully implemented. The ITO told us it plans to provide all clients with these reports within the next quarter. In the long term, it also plans to include information on service delivery, including performance results, on its web site. In addition to these reports, the ITO will need to provide better reports on security. We describe the need to strengthen and report on security above.

The ITO's clients told us that they met frequently with the ITO to discuss IT services. They said that the ITO was willing to adjust its practices or make other changes to improve service delivery.

When the ITO provides the new reports to clients and makes corresponding improvements to the report requirements in the service level agreements, it will provide clients with a reasonable basis to monitor the services delivered by the ITO.

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Public accountability systems

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Main points

In this chapter, we compare Saskatchewan's public accountability system to systems used by other provincial governments and the Federal Government. A sound public accountability system consists of agreed-upon business and financial plans between the Government and the Legislative Assembly (Assembly), reliable reports prepared by the Government for the Assembly, and reasonable reviews of Government plans and reports by the Assembly.

Saskatchewan's accountability system compares well with those of most Canadian jurisdictions. In certain respects, Saskatchewan is a leader by:

- formally adopting the CCAF's principles for the preparation of public plans and annual reports for departments
- publishing key sector plans and reports for most cross-government strategies
- publishing a broad spectrum of information on who receives public money and the amounts
- permanently referring annual reports to standing committees of the Assembly for review.

Opportunities for Saskatchewan to improve its public accountability system include:

- publishing an annual Government-wide report that shows the Government's progress in achieving its planned results and costs for the Government as a whole
- disclosing performance targets in public plans and annual reports and reporting on capacity to manage key risks and achieve stated objectives
- enacting accountability legislation setting out the key elements of the Government's public accountability system

Introduction

Increasingly, legislators and governments in Canada are striving to strengthen their public accountability systems. In this chapter, we compare the elements of a sound public accountability system to those used by legislative assemblies of each province and Canada during the year ended March 31, 2005.

In short, this chapter ranks Saskatchewan's accountability system with those of other Canadian jurisdictions. We do not report on the state of other jurisdictions' accountability systems except to describe good practices.

As described in our 2000 Spring Report, a sound accountability system consists of three main elements:

1. Agreed-upon plans that are clear as to responsibilities, authority, resources, and expected results. This requires government agencies to give the Legislative Assembly reliable business and financial plans.

2. Reliable reports on actual results compared to planned results. This requires government agencies to give the Legislative Assembly reliable reports on performance.

3. Reasonable reviews of performance. This requires a legislative committee to review the plans and actual results and offer advice for improvement.

Sound public accountability systems cover all parts of government, i.e., individual agencies, key sectors[1], and government as a whole.

Appendix II summarizes reports our Office has published in the past five years to improve accountability for results across the Government.

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[1] Key sectors include government programs provided by several agencies (e.g., education, health) and cross-government (horizontal) strategies where two or more agencies share similar objectives such as economic development or child poverty.

Background

In Saskatchewan, the Government continues to implement its public accountability project for departments. Departments are expected to set objectives, manage risks, establish performance measures to monitor progress towards their performance expectations, and monitor their performance. In April 2003, Saskatchewan Finance (Finance) published public reporting guidelines for plans and annual reports of departments together with an implementation schedule.

Crown Investments Corporation of Saskatchewan and the corporations it supervises are making progress with their initiative to improve public accountability. This initiative is called the "Balanced Scorecard." The Balanced Scorecard is used to evaluate financial performance as well as the achievement of objectives in the areas of innovation and learning, customer satisfaction, and public policy. Corporations make public their performance measures and targets and the results they have achieved.

In 2003, the Legislative Assembly of Saskatchewan strengthened its rules and procedures for the review of the Government's public plans and annual reports by all-party standing committees.

Approach

This study is based on information on the public accountability systems used by each provincial government and the Federal Government gathered through a survey questionnaire. The office of the auditor general of each jurisdiction completed our survey. Our Office completed the survey for Saskatchewan.

The survey covers the key elements of a sound public accountability system (survey questions are summarized in Appendix I). Crown Investments Corporation of Saskatchewan and the departments of Executive Council and Finance confirmed that the survey questions were reasonable to determine the public accountability system in use. We also discussed the survey results with these three agencies.

We acknowledge the following limitations in the information gathered. Many survey responses tend to be approximate and not precise. Answers are based on the respondents' current knowledge of, and professional judgement about, the accountability processes in their jurisdictions. The quality of the plans and reports prepared by governments and their agencies often vary significantly over time and between different agencies.

Our findings

Offices of all auditors' general completed our survey. We appreciate the effort the offices made to complete this long and complex survey. Using the survey responses, this section describes the survey results by each key element of an accountability system–agreed upon plans, reliable reports, and reasonable reviews. We briefly describe (in italics) the expectations of each key element and rank how Saskatchewan's system compares to the systems used by other governments in Canada.

Agreed upon plans

Agreement between Parliament/Legislative Assembly (assembly) and the government on its responsibilities and authorities clarifies the authority the government has to manage the assigned responsibilities. Agreed upon plans provide clarity and understanding for the assembly and the government on performance expectations and the resources required to achieve those expectations.

Public plans, tabled in the assembly, help the assembly debate and approve what the government expects to achieve in the near and distant future, the expected cost of achieving those results, and how progress will be measured. A government-wide plan sets a government's overall priorities, objectives, and performance measures and targets. This plan provides direction to government agencies in preparing their plans. Agreed upon plans help the assembly understand the government's priorities and resource tradeoffs between individual agencies and key sectors in the context of the government as a whole.

To ensure that public plans are useful in holding governments accountable for their performance, assemblies need to provide direction on the content and timing of public plans.

Four jurisdictions have legislation that requires governments and their agencies to set out in public plans what they expect to achieve, at what cost, and how progress will be measured. This type of legislation is often referred to as "accountability legislation". The four jurisdictions that have enacted accountability legislation are Alberta, British Columbia, Newfoundland and Labrador, and Quebec.[2]

The Saskatchewan Government has prepared written guidance for the preparation of public plans by government departments (except Executive Council). This guidance also pertains to the Public Service Commission, Liquor and Gaming Authority, Saskatchewan Watershed Authority, and two cross-government strategies (Safe Drinking Water Strategy and KidsFirst Strategy). The guidance is based on reporting principles developed by CCAF and set out in the publication *Reporting Principles–Taking Public Performance Reporting to a New Level*[3]. Certain CCAF principles are complex and take years to fully implement. The guidelines recognize this and allow agencies to defer reporting on certain principles, such as the management of risks and performance targets.

Certain supervising agencies such as Crown Investments Corporation of Saskatchewan (CIC) and Saskatchewan Health have issued guidance for public planning information to the agencies they supervise. CIC subsidiary corporations such as SaskPower and SaskEnergy publish planning information in their annual reports such as goals, performance measures and targets, and strategies to achieve objectives. Regional health authorities publish similar planning information in their annual reports.

Six of ten other jurisdictions have formal guidance for preparing public plans, but none have adopted CCAF principles. However, the guidance in five of these jurisdictions is quite consistent with CCAF's principles.

In summary, Saskatchewan, like six other jurisdictions, does not have accountability legislation establishing requirements for public plans.

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[2] Alberta – *Government Accountability Act*; British Columbia – *Budget Transparency and Accountability Act*; Quebec – *Public Administration Act*; and Newfoundland and Labrador – *Transparency and Accountability Act* (Assented to December 16, 2004 but not yet proclaimed).

[3] CCAF's reporting principles are the result of a multi-year project involving extensive research and consultation with government managers, auditors, and legislators throughout Canada. All legislative auditors in Canada have agreed to use these reporting principles when assessing government annual reports. CCAF-FCVI Inc. is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers."

Saskatchewan is, however, a leading jurisdiction in providing sound guidance for the preparation of public plans.

Government-wide plans

Saskatchewan and five other jurisdictions prepare government-wide plans. Most of these plans, including Saskatchewan's plan, describe the governments' objectives, strategies to achieve the objectives, and the expected costs of carrying out the strategies. Unlike most of the other five jurisdictions, Saskatchewan's plan does not include performance measures and targets used to assess progress. Only Alberta describes the key risks that the government must manage well to achieve its objectives. No jurisdiction describes the government's capacity to manage risks and achieve objectives.

Accordingly, Saskatchewan is one of the leading jurisdictions in publishing a government-wide plan except the plan does not include performance measures and targets.

Key sector plans

Key sectors are government programs delivered by several agencies (e.g., learning, health, agriculture) as well as cross-government strategies where two or more agencies share similar objectives such as economic development or decreasing child poverty.

In Saskatchewan and most other jurisdictions, departments such as Health and Learning include in their public plans key sector information relating to other agencies that deliver similar programs (e.g., regional health authorities, universities, and school boards). Because these departments typically include key sector information in their public plans, we assess this key sector information under the heading **Individual agency plans**.

Saskatchewan is the only jurisdiction that prepares public plans for cross-government strategies where two or more government agencies share similar objectives[4]. Generally, Saskatchewan's plans for cross-government strategies describe objectives and strategies to achieve the objectives. About half of the plans include performance measures and the expected costs of carrying out the strategies. Only one plan contains performance targets and comparative information over time. Few plans describe key risks that must be managed well to achieve expected results.

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[4] Saskatchewan's cross-government strategies include: Safe Drinking Water Strategy, KidsFirst Strategy, Strategy for Rural Saskatchewan, Strategy for Métis and Off-Reserve First Nations People, Partnership for Prosperity, Action Plan for Saskatchewan Women, and Northern Strategy.

In conclusion, Saskatchewan leads all other jurisdictions in the preparation of key sector plans.

Individual agency plans

In Saskatchewan, all government departments (except Executive Council) prepare public plans. Other agencies that prepare public plans are the Public Service Commission, Liquor and Gaming Authority, and Saskatchewan Watershed Authority. CIC publishes a plan that includes strategic direction for its related corporations including objectives, measures, and targets.

Many significant agencies such as Crown corporations and regional health authorities publish planning information in their annual reports. This planning information generally includes legal mandates, values, goals, objectives, strategies, performance measures, and in some cases performance targets (e.g., CIC and its related corporations).

Four other jurisdictions require all or almost all agencies to prepare public plans. The remaining six jurisdictions either do not require agencies to prepare public plans or require the plans from only certain agencies.

Like most other jurisdictions, Saskatchewan agencies' plans generally describe the agencies' legal mandates, values, long-term goals and objectives, strategies to achieve objectives, required resources, and performance measures. Like half of the other jurisdictions, Saskatchewan's plans, other than CIC and its related corporations, generally do not set out performance targets. Performance targets are essential to a public plan because targets describe the level of desired performance, i.e., quantity, quality, and timing of performance the agency wants to achieve.

Most jurisdictions including Saskatchewan, do not provide comparative information for prior periods, or indicate the reliability of the planning information. No jurisdictions' plans describe agencies' capacity to manage key risks or achieve expected results. Alberta's plans were the most advanced and generally included all key elements of sound plans except for reporting on capacity.

To be useful, information must be timely. For plans to be timely, agencies must be able to make them public when prepared, even when the assembly is not in session. Like half of the other jurisdictions, Saskatchewan agencies' plans can be made public if the Assembly is not in session.

In conclusion, Saskatchewan is among the five leading jurisdictions in producing public plans that contain most key elements of sound plans. Like most jurisdictions, as the public accountability process continues to mature and develop it is important that public plans begin to incorporate performance targets and capacity to manage risks and achieve objectives.

Reliable reports

Once agreed upon plans are in place, the assembly needs reliable annual reports on performance to assess results and costs for the Government as a whole, for key sectors, and for individual agencies in relation to the assembly's expectations. Effective annual reports focus on outcomes and explain differences between planned and actual results. They describe the key risks to, and capacity for, achieving expected results.

To ensure that annual reports are useful in holding governments accountable for their performance, assemblies should provide direction on the content and timing of these reports through legislation.

Four jurisdictions, as described earlier, have enacted accountability laws that require annual reports of the Government and its agencies to describe their progress in achieving planned results.

The Saskatchewan Government has prepared guidance for the preparation of public reports for departments, certain other agencies described earlier, and key sectors. It bases the guidance on reporting principles developed by CCAF.

Supervising agencies such as CIC and Saskatchewan Health have issued reporting guidelines to the agencies they oversee. The guidance for these agencies, i.e., CIC Crown corporations and regional health authorities, is consistent but not as comprehensive as CCAF principles.

All other jurisdictions have guidance for the preparation of public reports, but none have formally adopted CCAF principles. The guidance in five of these jurisdictions is quite consistent with the principles.

In conclusion, Saskatchewan and six other jurisdictions do not have accountability legislation establishing requirements for annual reports. Saskatchewan is, however, a leading jurisdiction in providing sound guidance for the preparation of annual reports.

Government-wide reports

While Saskatchewan prepares a Government-wide plan, it does not yet prepare a Government-wide annual report. Such a report is vital to show the Government's progress in achieving its overall priorities and objectives and its capacity to manage its risks in achieving its objectives. Three jurisdictions prepare a government-wide report (Alberta, British Columbia, and Prince Edward Island).

Key sector reports

Most jurisdictions prepare departmental annual reports that include performance information on key sectors, e.g., health, learning. Because these departments typically include such key sector information in their annual reports, we assess this key sector information under the heading **Individual agency reports**.

Saskatchewan is the only jurisdiction that prepares public reports for cross-government strategies where two or more government agencies share similar objectives. Saskatchewan publishes annual reports for most of its key sectors. All Saskatchewan's key sector reports describe objectives and strategies to achieve the objectives. Half of the reports include performance measures and the expected costs of carrying out the strategies. Few reports, other than CIC and its related corporations, describe key risks that must be managed well to achieve expected results. One report sets out performance targets and comparative information over time.

Accordingly, Saskatchewan is the leader in the preparation of key sector annual reports.

Individual agency reports

In Saskatchewan, like six other jurisdictions, almost all government agencies publish annual reports. Two notable exceptions in Saskatchewan are the Office of the Executive Council and the Board of Internal Economy.

Similar to most jurisdictions, Saskatchewan agencies' annual reports generally describe the agencies' legal mandates, values, long-term goals and objectives, strategies to achieve objectives, costs to deliver programs and services, and performance measures. Like half of other jurisdictions, Saskatchewan's annual reports generally do not set out performance targets, with the exception of CIC and its related corporations. Targets show how much progress has been made in comparison to planned performance.

The annual reports of agencies in most jurisdictions, including Saskatchewan, generally do not describe the key risks to achieving objectives, capacity to manage risks and achieve objectives, comparative information over time, or the reliability of the non-financial information. Alberta and British Columbia's reports are more advanced than other jurisdictions. They contain all key elements of sound reports except neither jurisdiction reports on agencies' capacity to manage risks and achieve objectives.

Government's need to be accountable for who receives public money. Almost all Saskatchewan Government agencies annually publish a list of who (e.g., employees, suppliers) received public money and the amounts. All but two of the other jurisdictions provide some level of payee information by agency, but generally not as extensive as Saskatchewan.

For annual reports to be timely, agencies must be able to make them public when prepared, even if the assembly is not in session. Like most other jurisdictions, Saskatchewan agencies' reports can be made public if the Assembly is not in session.

In conclusion, Saskatchewan's annual reports are similar in quality to most other jurisdictions. Like most jurisdictions, Saskatchewan needs to ensure that annual reports describe performance targets and capacity to manage risks and achieve objectives. Saskatchewan is a leader in making payee information public in terms of the number of agencies reporting and the nature and extent of information reported.

Reasonable reviews

To complete the accountability process, the assembly must perform a reasonable review of the Government's and its agencies' performance and take corrective action when required. Only the assembly or its committees can perform this function because it is the assembly that gives the Government responsibility and authority to raise revenue and spend public resources. Also, legislators have an obligation on behalf of their constituents to assess the Government's performance. Informed discussion and debate on the Government's accountability and performance helps build public confidence in our system of government.

Reviews of plans and reports by legislators

In 2003, the Legislative Assembly of Saskatchewan strengthened its rules and procedures including the creation of four policy field committees (i.e., Human Services, Economy, Crown and Central Agencies, and Intergovernmental Affairs and Infrastructure). The Assembly has also created the Standing Committee on House Services that reviews the estimates of the Assembly's Officers and their annual reports except the Provincial Auditor's estimates and annual report, which the Assembly refers to the Standing Committee on Public Accounts (PAC). The meetings of these all-party committees are open to the public.

The Government of Saskatchewan publishes the public plans for departments and three other agencies described earlier at the same time as the proposed annual estimates are given to the Assembly. CIC also provides its plan (which includes strategic direction for its related corporations) to the Standing Committee on Crown and Central Agencies (CCA). Under the new rules, proposed estimates for each agency can be, and typically are, referred by the Assembly to the appropriate policy field committee or House Services Committee. As a result, committees have the opportunity to review the public plans and the estimates for the above noted departments and agencies at the same time.

The Assembly permanently refers the annual reports of all Saskatchewan agencies to standing committees. The committees may examine annual reports at their discretion and report to the Assembly whether each report is satisfactory, whether it is late, and whether any agencies not preparing an annual report should prepare one. To date, only the CCA and the House Services Committee have reviewed annual reports. As a result, no annual reports of departments have yet been reviewed by committees.

PAC continues its role of reviewing and reporting to the Assembly its observations, opinions, and recommendations on the Reports of the Provincial Auditor and the Public Accounts. PAC is required by *The Provincial Auditor Act* to review and approve the annual estimates for the Provincial Auditor. PAC typically does not review public plans or annual reports except for the annual business and financial plan for the Provincial Auditor.

Committees in most other jurisdictions do not review plans or reports of any government agencies. The Parliament of Canada is the only assembly where committees review both the plans and reports of all agencies. Alberta's committees review all plans and reports of departments but generally not other agencies. Committees in a few jurisdictions review plans and reports for certain agencies such as Crown corporations.

To be able to provide timely and in-depth reviews of plans and reports, committees need to be able to meet year round, even when the assembly is not in session. In Saskatchewan and most other jurisdictions, committees meet when the Assembly is not in session. In the few other jurisdictions that review plans or reports, committees generally cannot meet when the Assembly is not in session.

To increase the objectivity of committees reviewing government plans and reports, the committees should not include Cabinet Ministers or government-appointed officials. In Saskatchewan, the Assembly's rules and procedures do not prohibit placing Cabinet Ministers on committees. It is the practice of PAC to exclude Ministers. No Saskatchewan committees include government appointed officials. In the few other jurisdictions where committees review plans or reports, most do not include Cabinet Ministers or appointed officials as members of committees.

Committees need to work closely with their legislative auditor to enable MLAs to question the auditor on the reliability of the agencies' plans and reports. In Saskatchewan, PAC and CCA work closely with the Provincial Auditor. In most other jurisdictions, the public accounts committee is the only committee that works closely with the legislative auditor.

Legislator's expectations for plans and reports

For effective reviews, assemblies need rules and procedures for committee reviews, including content requirements for plans and reports. An essential part of a committee's reviews should be to determine if the Governments' public plans and reports contain all the required information (as described in this chapter) to assess performance. As noted previously, most governments have formal guidance for the content of public plans and reports. In addition, Alberta, British Columbia, Newfoundland and Labrador, and Quebec have legislation that sets out requirements for the content of plans and reports. However, assemblies in Canada generally do not require their committees to formally assess the content of plans and reports. As noted earlier, the rules and procedures of Saskatchewan's Assembly permit, but do not require, committees to report to the Assembly whether an annual report is satisfactory, whether it is late, and whether any agencies not preparing an annual report should prepare one.

To ensure timely public plans and annual reports, assemblies need to set publishing deadlines. In Saskatchewan, deadlines for the issuance of public plans are included in government directives and deadlines for most annual reports are set out in laws. Four other jurisdictions have set deadlines for the preparation of public plans. All but one jurisdiction have legislation setting deadlines for issuing annual reports.

For committee reviews to be effective, they should be timely. Only Alberta and Canada have set deadlines for reviews of plans. Alberta has also set deadlines for the reviews of reports.

In summary, given that assemblies in most jurisdictions do not review public plans or annual reports, Saskatchewan has the potential to be one of the leading jurisdictions in this respect. The new rules and procedures for Saskatchewan's committees open the opportunity for the committees to review the plans and annual reports of all government agencies.

Conclusion

Saskatchewan's accountability system compares well with those of most Canadian jurisdictions. In certain respects, Saskatchewan is a leader by:

- formally adopting CCAF's principles for the preparation of public plans and annual reports for departments
- publishing key sector plans and reports for most cross-government strategies
- publishing a broad spectrum of information on who receives public money and the amounts
- permanently referring annual reports to standing committees of the Assembly for review

Opportunities for Saskatchewan to improve its public accountability system include:

- publishing an annual Government-wide report that shows the Government's progress in achieving its planned results and costs for the Government as a whole
- disclosing performance targets in public plans and annual reports and reporting on capacity to manage key risks and achieve stated objectives
- enacting accountability legislation setting out the key elements of the Government's public accountability system

Exhibit 1—Survey questions

Public Plans & Reports (individual agencies, key sectors, government-wide)

1. Do public plans and reports describe: 1) legal mandate, 2) core values, 3) long-term goals, 4) core objectives, 5) key strategic risks to achieving goals/objectives, 6) plans to mitigate significant risks, 7) capacity for managing risks, 8) strategies to achieve goals/objectives, 9) required resources to carry out strategies, 10) performance measures, 11) performance targets, 12) achievements against expectations, 13) comparative information over time, 14) integrate financial and non-financial information, 15) reliability of reported information, and 16) information that is audited by an independent auditor (e.g., legislative auditor).

2. Do all agencies at least annually make public a list of organizations and persons who received public money from the agencies and the amounts received?

3. Is the content and quality of information in plans and reports significantly different between government departments, Crown corporations, and other government agencies? If so, please provide details.

4. Are public plans and reports of all agencies required to be tabled in Parliament/Assembly?

5. Can plans/reports of all agencies be made public when Parliament/Assembly is not in session?

Reviews of public plans and reports by legislators

1. Are plans and reports of all agencies reviewed by committees of Parliament/legislative assemblies (committees)?
2. What are the names of the committees that review plans and/or reports?
3. Which committees can meet when Parliament/Assembly not in session?
4. Which committees include Cabinet Ministers as members?
5. Which committees include Government-appointed officials as members?
6. Which committees work with the legislative auditor, i.e., ask auditor to attend meetings and provide advice?
7. Do committees generally consider if plans/reports contain all necessary information as contemplated by the CCAF?
8. Do committees generally enquire if the Government uses sound reporting principles to prepare the public plans and reports?
9. Do committees recommend needed improvements in plans and reports to the Parliament/Assembly?
10. Do committees ask the government to report back on actions taken in response to its recommendations?

Legislator's expectations for public plans & reports

1. Does Parliament/Assembly require the government to prepare public plans and reports in accordance with sound principles?
2. Does the Assembly have formal rules or requirements for its review of plans and reports?
3. Has the Assembly set timelines for when plans and reports are to be made public?
4. Has the Assembly set timelines for the review of plans and reports by its standing committees?

   If the answer is Yes to any of the above questions, are the requirements set out in legislation, a) rules and procedures of the Assembly, b) recommendations of legislative committees, c) protocols or practices of the Assembly, or d) government policies, practices, or guidelines?

Progress in improving public accountability[5]

1. Over the past 5 years, are the government's public plans and reports improving or declining?
2. Are public plans and reports of any sectors (e.g., departments, Crown corporations, other agencies) improving more than others?
3. In your view, over the past 5 years, are the Parliament's/Assembly's reviews of public plans and reports in your jurisdiction improving or declining?

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[5] Most legislative auditors indicated they were unable to confidently respond to these questions without doing a lot of work. As a result, we were not able to report whether the accountability systems in other jurisdictions have improved or declined in recent years.

Exhibit 2—Related reports to foster improved accountability

This appendix lists recent public reports of our Office to improve accountability for results across the Government. The appendix does not cover our work and reports on individual departments and agencies. The Department of Finance provides links to this work on its web site (http://www.gov.sk.ca/finance/accountability/2006/relatedlinks.htm#pa).

Chapter title	Report
Learning – Accountability of school boards	2005 Report – Volume 1
Crown Investments Corporation of Saskatchewan (comparison of quality of Crown corporations annual reports with those in other jurisdictions)	2005 Report – Volume 1
Understanding the finances of the Government	2005 Report – Volume 2
Public plans and annual reports assessments—Departments	2004 Report – Volume 3
Succession planning for public sector agencies	2002 Fall Report – Volume 2
Finance—Learning culture for reporting results	2002 Spring Report
Managing accountability risks in public-private partnerships	2001 Fall Report – Volume 2
Reporting on infrastructure	2001 Fall Report – Volume 2
Principles for performance reporting	2001 Spring Report
Capital asset plans	2001 Spring Report
Key processes to plan	2001 Spring Report
Building capacity for government performance reports	2000 Fall Report – Volume 3
Elements of sound public plans	2000 Fall Report – Volume 3
Challenges to moving to accountability for results	2000 Fall Report – Volume 3
Towards a better public accountability system	2000 Spring Report

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Managing for results

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Main points

During 1999-2005, the Government invested public resources to guide department managers to change their management processes. Managers were asked to focus on results—both actions and outcomes. We anticipate this change will occur at varying rates across government and within departments.

We audited the results-based management processes of two leading departments to identify how they focus on results. We appreciate the full co-operation given to us by the Department of Corrections and Public Safety and the Department of Highways and Transportation.

We found these leading departments had increased their focus on results. Both departments use some innovative management processes. Both continue to experiment to gain perspective on their planned outcomes.

We concluded that as of August 31, 2005, these two departments had adequate processes to achieve planned results except for monitoring results. We recommended both departments improve their processes to analyze and report quarterly to executive managers the departments' progress toward planned outcomes.

To support further progress, we set out some of the key steps that could help any agency improve its performance management processes.

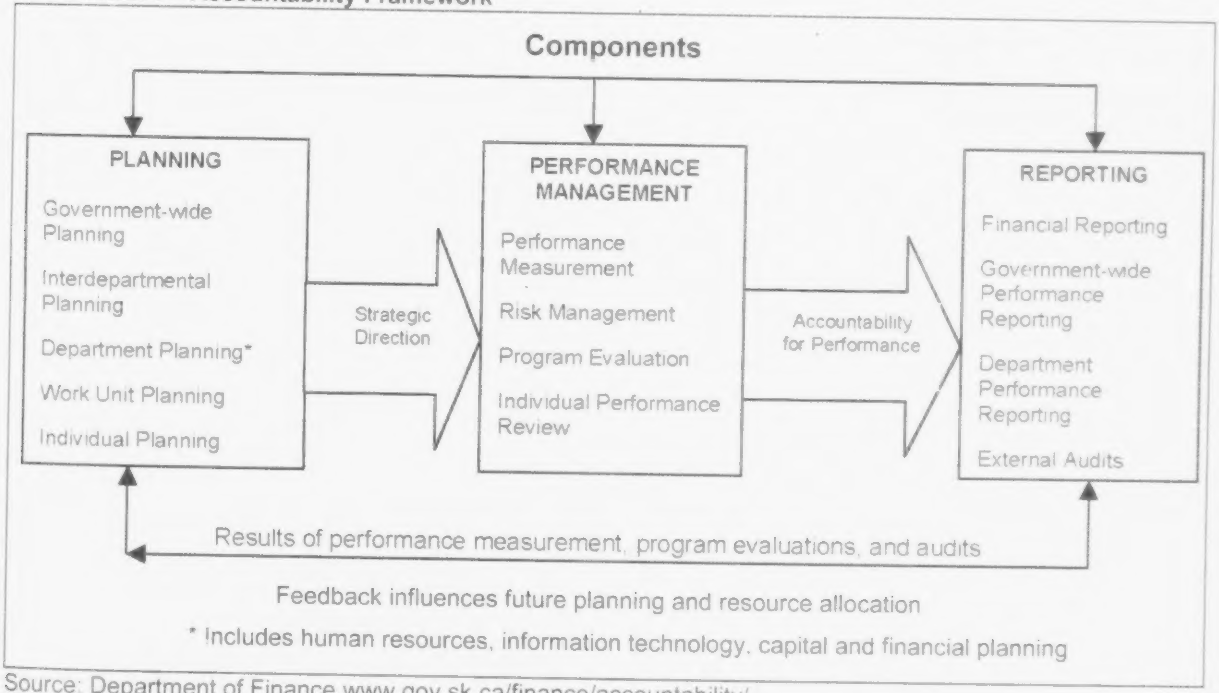
Background

In 1999, the Government adopted a results-based management approach for use by departments. Exhibit 1 describes the Accountability Framework that departments use to guide a focus on results. Focusing on results is an effective management approach used worldwide.

Previously, our Office examined the planning and reporting parts of the Framework in Exhibit 1. This audit examines the central "performance management" part. Performance management includes managing to achieve specific outcomes in addition to managing activities or services. It requires a focus on results.

We use the term "results" to mean both activities completed and outcomes achieved. Managing activities is short term, most often within one year. Managing outcomes requires a longer term perspective. In the public sector, it often takes several years to achieve the planned outcomes. Outcomes are the consequence of activities; they describe the public benefit achieved through services (e.g., reduced crime, safer roads).

Exhibit 1—Accountability Framework


Components
PLANNING
Government-wide Planning
Interdepartmental Planning
Department Planning*
Work Unit Planning
Individual Planning
Strategic Direction
PERFORMANCE MANAGEMENT
Performance Measurement
Risk Management
Program Evaluation
Individual Performance Review
Accountability for Performance
REPORTING
Financial Reporting
Government-wide Performance Reporting
Department Performance Reporting
External Audits
Results of performance measurement, program evaluations, and audits

Feedback influences future planning and resource allocation

* Includes human resources, information technology, capital and financial planning

Source: Department of Finance www.gov.sk.ca/finance/accountability/

In 2005, all departments used the Accountability Framework. The Department of Finance (Finance) coordinates how departments use the Accountability Framework. Finance sets guidelines for planning and reporting. It communicates expected timing, format, and content of performance plans, reports, and measures. Finance is responsible for helping departments implement the Accountability Framework.

As with any major change, full use of the Framework may take several years. We expected that some departments and work units would adopt performance management faster than others.

We asked Finance and the Public Service Commission to identify government departments that are leaders in performance management. We invited two departments to help us identify important practices that focus on managing outcomes. The Department of Corrections and Public Safety and the Department of Highways and Transportation (the departments) volunteered to participate in this audit. We thank both departments for their time and co-operation.

These observations describe the progress made toward management practices that focus on outcomes. To support further progress, we also recommend actions to strengthen management and accountability.

Our audit objective and conclusions

Our audit objective was to assess the adequacy of management processes to achieve planned outcomes as used by two government departments at August 31, 2005.

We based our criteria on international literature and the work of other auditors listed in the selected references. Finance and the two participating departments, the Department of Corrections and Public Safety (Corrections) and the Department of Highways and Transportation (Highways), agreed with the criteria in Exhibit 2.

We used these criteria as a guide to assess whether these two departments had reasonable processes to achieve planned outcomes. How departments apply performance management may not be uniform. Some departments work closely with a large number of partners. The work environment varies among departments and among work units within departments. These factors may influence departments' planning, managing, and reporting processes.

Exhibit 2—Audit criteria for processes to achieve planned outcomes

To have adequate processes to achieve planned outcomes, departments should have processes to:

1. Show leadership commitment to achieve planned outcomes
   - 1.1. Involve executive team in leading the focus on outcomes
   - 1.2. Provide learning opportunities to support focus on outcomes
2. Make expectations clear
   - 2.1. Assign responsibility for outcomes
   - 2.2. Set targets for outcomes
   - 2.3. Set out action plans
   - 2.4. Communicate significant changes to the performance plan
3. Monitor results
   - 3.1. Measure results
   - 3.2. Analyze results
   - 3.3. Report results regularly to managers
4. Use performance information to support decisions
   - 4.1. Align resources with expectations
   - 4.2. Realign strategies with outcomes
   - 4.3. Manage risks that could prevent achieving outcomes

At August 31, 2005, the Department of Corrections and Public Safety and the Department of Highways and Transportation had adequate processes to achieve planned outcomes except for monitoring results.

1. **We recommend the Department of Corrections and Public Safety and the Department of Highways and Transportation analyze and report quarterly to executive managers the departments' progress toward planned outcomes.**

Managing for results—key findings

This section describes for each of our criteria what we expected (in italics) and our audit findings. We followed the *Standards for Assurance Engagements* established by The Canadian Institute for Chartered Accountants.

Committed leaders show the way

We expected executives of departments to lead the focus on outcomes by involving managers throughout the department and communicating their rationale for and success with an outcomes focus. We also expected departments to provide staff with learning opportunities to support the focus on outcomes.

Overall, in both participating departments, committed individuals took action to lead the change to a new management style. These leaders involved managers throughout each department and communicated in ways that sustained momentum toward outcomes. The departments directed learning opportunities to departmental objectives, and not to learning about performance management or managing for outcomes.

To engage managers in a focus on outcomes, each of the departments involved managers in the strategic planning process. The departments started the planning process about 12 months before the beginning of the year being planned. This early start gave the departments time to involve managers and many staff as well as external partners. Starting early also gave executive managers time to consider feedback and revise the plan.

Corrections held Management Forums in April and September to involve managers in planning for outcomes. At these meetings, executive managers explained the current economic and environmental context and set the strategic direction. The attending program and regional managers challenged the existing plan and identified improvements. These managers brought comments from their staff to help improve the plan.

Highways also involved staff from throughout the department to update its strategic plan. Presentations at strategic planning and other staff meetings reinforced the rationale for focusing on outcomes and the role of each staff member in achieving them. Some meetings discussed management style and monitoring results to support decision-making.

Both departments used newsletters and e-mails to communicate with staff throughout the year. The newsletters updated staff on significant projects, highlighted results, and recognized the role of individuals in achieving results. In both departments, the Deputy Minister and senior managers communicated directly with staff in e-mails that highlighted achievements and recognized staff contributions throughout the year.

Another communications tool used by Highways was its Business Planning Guide. The Guide explained the rationale for focusing on outcomes in plans and reports. In addition, Highways communicated successes in achieving outcomes through its Employee Recognition Program and its Innovation Registry.

Both departments had a learning policy or framework that aligned with the departments' performance plans. The departments helped individuals to list in 'development plans' their learning needs related to the departments' objectives including professional courses, mentorship programs, etc.

During meetings with their managers, both departments informally explained the performance management process (i.e., plan, manage, and report results—activities and outcomes). Neither department provided learning resources or encouraged managers to seek training about performance management. We encourage departments to consider ways to increase the expertise of their managers to measure and monitor results that could support their management decisions.

Clear expectations include targets

To provide guidance and accountability, we expected departments to assign responsibility to managers and to set targets for outcomes. We expected departments to develop action plans that align with public performance plans. We anticipated departments would communicate with stakeholders and staff regarding significant changes to their performance plans.

Overall, both departments made their expectations clear. They assigned responsibilities for actions to work units or individuals. With very few exceptions, they aligned their public performance plans, operational action plans, and individual work plans. Both departments set targets for outcome-oriented performance measures. Both departments discussed possible major changes to their performance plans with staff and partners.

Both departments used operational action plans to assign responsibilities to individuals. These action plans showed how daily activities help achieve the outcomes of the work unit, division, and department. Corrections' branch plans also indicated timeframes to complete actions.

Every deputy minister receives from the Deputy Minister to the Premier an "expectations letter" for the year that sets out priorities for the Government, the department, and the individual. The Deputy Minister of Highways assigned the expectations in this letter to his senior managers. These senior managers reported quarterly to the Deputy Minister on their progress in achieving the expected results. The Deputy Minister of Corrections asked senior managers to include items from the expectations letter in their individual performance plans and operational action plans.

Both departments' operational action plans were consistent with their public performance plans. These operational plans helped the departments monitor progress in completing activities that will lead to outcomes. Also, managers in both departments had individual performance plans linking their actions to planned outcomes. Senior executives monitored managers' performance semi-annually.

Both departments set internal targets for the measures in their public performance plans. For most measures, the target was short term (12 months or less). Highways incorporated their short-term targets into their operational action plans. For a few measures, the departments set longer-term targets (e.g., 10-year targets for road conditions, 5-year target for reduced auto thefts). Realistic, long-term targets can motivate managers to use resources in innovative ways to achieve outcomes.

The annual performance plans of both departments highlighted changes from the prior year's plan. Corrections discussed possible changes in its performance plan with key stakeholders such as its Union Management Committee. Highways explained its performance plan to stakeholders annually. During the year, both departments held regular meetings with staff and key stakeholders about changes requiring redirection of resources to achieve the planned results.

Monitoring results uneven but evolving

We expected departments to monitor results (i.e., activities and outcomes) because daily activities should lead to planned outcomes. We expected departments would measure results to provide comparable, reliable information at regular intervals. We anticipated departments would analyze results by comparing to baselines, trends, action plans, and targets. We expected regular reports to managers would enable them to monitor results (i.e., both activities and outcomes), and would explain why if results differed from plans.

Overall, both departments faced challenges in monitoring results, particularly with respect to analyzing and reporting results to managers. Both departments measured results for all objectives. Quarterly reports emphasized completed activities; there was insufficient information about outcomes. Differences from the plan were not explained consistently.

Both departments selected relevant, comparable measures to help them monitor results. To make their measures more comparable, they consulted research and other jurisdictions. Where possible, they selected measures that are used internationally.

Both departments had some processes to help them collect reliable information. Highways defined key terms and the calculation methods in general for every measure. Corrections' Performance Measures Committee reviewed the relevance of its performance measures and the reliability of baseline data. Both departments need to improve their definitions to specify what to measure and document exactly how to calculate each measure.

Both departments used some controls to protect data quality (e.g., training staff, data entry by a different person than the one doing reasonability checks, periodic internal audits). These controls are far less effective without precise definitions of what to measure. Neither department had assessed if the controls adequately protected the accuracy and completeness of their performance information.

Analyzing outcomes was challenging for both departments. Both departments regularly analyzed what actions were complete compared to their plans. They did not use this activity information to explain progress towards outcomes.

For both departments, a reasonable proportion (40-60%) of measures in the 2005-06 performance plan were outcome oriented. Both departments had annual, short-term targets for these measures (internal). They did not use the targets to analyze their progress and explain results. Analyzing outcomes was difficult as some data were not available until the end of the year.

Both departments experimented with reporting results to managers, but did not relate completed activities to planned outcomes. Highways gave middle managers activity and output reports monthly. These reports explained some differences from planned activities but not outcomes. Corrections used a reporting system for branch statistics, risk assessments, and successes. Managers received monthly and quarterly reports of activities that compared a few results to internal short-term targets. Corrections also gave their executive a quarterly narrative report that primarily described activity trends, but did not explain progress toward outcomes, for example by comparing outcomes to targets.

Analyzing and reporting results compared to targets was not yet an established practice in these two leading departments.

Managers use some performance information

We expected departments would align resources to achieve planned outcomes. In addition, we expected departments would realign their strategies as required (e.g., when progress is slow). We anticipated departments would manage risks that could prevent achieving outcomes.

Overall, managers in both departments used performance information to align resources and realign strategies to achieve outcomes. The departments also managed major risks to their outcomes.

Both departments aligned resources to achieve outcomes. In their annual budget requests, both departments used performance information to support their funding requests. Highways' budget request also used its performance measures to explain the impact that different funding levels would have on its outcomes. Both departments also used performance information to reallocate financial and human resources.

The departments used coordinated program evaluations to help them realign strategies. Using research, program evaluations, and other evidence, the departments evaluated if their programs would achieve their planned outcomes and if alternative strategies would be more effective. Conclusions reached in the program evaluations led to budget and work plan revisions.

Both departments managed risks that could prevent them from achieving outcomes. The departments identified risks through environmental scans, program evaluations, and analysis of selected issues (e.g., need for capital construction, succession planning). They discussed their risks in the trends and issues section of their performance plans.

Both departments used ad hoc reports combining financial and non-financial information to make decisions regarding major risks or opportunities. Both also identified optional ways to achieve outcomes. Both departments used work plans to set out their strategies to reduce risk to an acceptable level.

Highways monitored risks through its project management system. Corrections monitored risks in quarterly narrative reports. Both departments discussed risk at regular operational meetings.

Steps to help focus on results

In this section, we set out four key steps that could help any agency to improve its performance management practices.

1. Set clear outcomes

The first step in managing for results is to focus on outcomes rather than on activities or services. Objectives are most useful when they focus on what benefit the public should expect—the outcome. For example, the objective may be to reduce crime. Various strategies may help achieve that objective, including education, building secure correctional centres, and providing programs proven to reduce reoffending.

When objectives focus on the activity or strategy planned, the agency commits itself to act in one particular way. This reduces attention on the desired outcome or public benefit. Including strategies in the objective reduces opportunities for innovative solutions. Managers can no longer adjust their strategies to suit the situation. Reallocating resources also becomes more difficult for these "how to" objectives. Whenever possible, it is best to avoid "how to" objectives.

2. Select performance measures carefully

Performance measures make it possible to monitor progress and take timely corrective action to achieve results. Poor performance measures waste public money and lower public trust. Selecting measures carefully reduces the time and effort used to report them. It also avoids the confusion of frequent changes in measures.

Performance measures are most relevant when they clearly relate to the objective (the planned outcome) and can help to explain the results. Performance measures with precise definitions make more sense to users. Meaningful definitions explain all key terms, the precise time-period covered, why the agency chose the measure, and what the measure means.

Definitions clarify what to measure. They help make measurements consistent and comparable. Specific definitions ensure that simple issues do not cause complex problems.

For example, many agencies survey client satisfaction with the Government's services. Such surveys could measure many different aspects of satisfaction. A definition of client satisfaction should specify which aspect to measure:

- quality (ease of getting information, understandable advice, usefulness of service, expected results obtained)
- timeliness (timely access to service, prompt response to questions, rapid receipt of refunds)
- courtesy (service provider states name, explains service, gives opportunity to ask questions, is helpful)
- competence (right service, skilled and knowledgeable service)

3. Document methods used to calculate measures

Describing in detail how management calculates each performance measure helps agencies to report performance accurately. Writing down the exact method keeps calculations consistent from year to year. This detail should include the assumptions that influence the calculations.

Managers need to find ways to calculate each measure so that the data is available as frequently as required. For example, if managers do not measure an outcome (or related activity) until the year's end, they may not make timely adjustments to manage the results. To help monitor progress within a fiscal year, managers could monitor the results for each quarter compared to their plan or their results in the same quarter in prior years. Alternatively, managers could calculate a rolling average for the 12 months prior to the reporting date. These methods would help managers to analyze progress toward planned results and take action where necessary.

Managers should approve the written methods used to calculate each measure. Approving the specific calculation methods reduces the risk that the agency's performance will be misrepresented, inaccurate, or inconsistent.

4. Put results in context

Agencies should report all results in context. Context makes performance information more useful to managers. Failure to put results into context can mislead users of the information.

Comparing results to what the agency achieved last year or in the last few years is a good beginning. Reporting a percentage instead of a simple count also adds context. Another way to put results into context is to compare the result to the agency's target for the year (short-term), for three to four years (medium-term), and for five to ten years (the long-term).

More helpful, but also more difficult, is to compare results to those of a similar program, another province, or a national benchmark. To compare results, agencies should measure the same indicator in the same way.

That is, the agencies must agree how to define and calculate the measure.

Building capacity requires ongoing commitment

Both participating departments used a variety of ways to focus their attention on results. We thank them for sharing their successes and challenges with us.

To build capacity to manage for results requires effort. It requires managers who are willing to commit to open and transparent governance with clear plans and reports. It requires using research and program evaluations to inform decisions. And, it requires managers with the insight and freedom to manage strategically to achieve the planned results.

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Public plans and annual report assessments

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Main points

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and certain other agencies. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles. These guidelines should enable government agencies to effectively report their progress in achieving their plans.

We assessed the public plans and annual reports of departments, three Crown agencies, and two cross-government strategies for the year ended March 31, 2005. The plans and annual reports contain most of the current requirements of the Department's reporting guidelines. The plans and reports provide more performance information than they did previously and thus enhance public accountability.

Introduction

For many years, our Office has encouraged improved performance reporting by the Government and its agencies. In 2003, the Department of Finance (Finance) set guidelines for preparing performance reports for departments, Liquor and Gaming Authority, Saskatchewan Property Management Corporation, Public Service Commission and two cross-government strategies. Finance set out this guidance in its 2003 *Public Performance Reporting Guidelines* together with a four-year implementation schedule.

The guidelines are based on public reporting principles developed by CCAF[1] and set out in a publication called *Reporting Principles–Taking Public Performance Reporting to a New Level*. CCAF's publication is the result of a multi-year project on public performance reporting. It involved extensive research and consultation with government managers, auditors, and legislators throughout Canada. All legislative auditors in Canada have agreed to use these reporting principles when assessing government annual reports in their jurisdictions.

Public plans and annual reports of government agencies are key accountability documents. These reports, prepared in accordance with Finance's guidelines, should help the Legislative Assembly and the public to better assess the performance of government agencies.

In this chapter, we report our assessment of the 2004-05 public plans and annual reports prepared using the Department of Finance's guidelines.

Our objective

The objective of this study was to determine whether the public plans and annual reports for the year ended March 31, 2005 of agencies listed in Exhibit 1 comply with Finance's reporting guidelines and CCAF's reporting principles.

We limited our study to examining the content of the agencies' public plans and annual reports (reports). We did not assess the relevance or reliability of the information in the reports. For example, we did not assess whether agencies selected the performance measures that are the best indicators of a particular strategy, nor did we assess the accuracy, completeness, or validity of underlying information systems or data the agencies used to prepare the performance information.

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[1] CCAF-FCVI Inc. is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers." For more information, see http://www.ccaf-fcvi.com.

Throughout the study, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Exhibit 1—Listing of agencies assessed (agencies)

Department of Agriculture, Food and Rural Revitalization
Department of Community Resources and Employment
Department of Corrections and Public Safety
Department of Environment
Department of Finance
Department of Health
Department of Highways and Transportation
Department of Industry and Resources
Department of Justice
Department of Labour
Department of Learning
Saskatchewan Property Management Corporation
Information Technology Office (annual report only)
Public Service Commission
Liquor and Gaming Authority
Saskatchewan Watershed Authority
Safe Drinking Water Strategy
KidsFirst Strategy

Our expectations for reports

Criteria represent our expectations or the main elements we look for in our study. The study criteria are based on the implementation of the Department of Finance's 2004-05 guidelines for public performance reports (see http://www.gov.sk.ca/finance/).

According to CCAF, an agency's performance reports must incorporate the following nine principles to adequately report on its performance:

1. Focus on the few critical aspects of performance
2. Look forward as well as back
3. Explain key risk considerations
4. Explain key capacity considerations
5. Explain other factors critical to performance
6. Integrate financial and non-financial information
7. Provide comparative information
8. Present credible information, fairly interpreted
9. Disclose the basis for reporting

These CCAF principles go beyond current reporting practice. While some principles may exist to some degree in current practice, it is not common to find them used in an integrated manner, or to their full extent. According to CCAF, that would represent a new level of public performance reporting. Some of the principles will challenge even governments that have made good advances in performance reporting.

Finance's reporting guidelines recognize that implementing performance reporting principles will take time and resources. Accordingly, the guidelines contain a multi-year implementation schedule that recognizes that some reporting principles are more difficult to implement than others. For example, the guidelines do not require reporting on key risks, costs of activities, and capacity until future years. As a result, the guidelines do not expect a comprehensive level of reporting requirements for each principle in 2004-05. Other elements from the performance reporting principles, such as reporting indicator targets, are not yet expected by Finance's reporting guidelines. Finance's guidelines will also need further enhancement following the four year implementation schedule to meet all of CCAF's reporting principles.

Detailed assessment

This section summarizes the results of our assessment of the public plans and annual reports organized by CCAF's nine reporting principles. For each principle, we describe the principle in italics, Finance's guideline requirements and set out the results of our assessment of the 2004-05 public plans and annual reports.

We used an evaluation process similar to that suggested by CCAF to rate how well the agencies applied each of the required principles. We based our evaluation on the following four levels:

- start up—most elements of the reporting principle have not been addressed
- in process—many of the elements have not been addressed, but progress is being made
- fundamentals in place—most significant elements have been addressed, but further improvements are possible
- fully incorporated—all elements have been substantially addressed

Principle 1—Focus on the few critical aspects of performance

To be understandable, public performance reports need to focus selectively and meaningfully on a small number of critical areas of performance. Reports need to explain the value created by key programs or business lines; show the relationship between short-term results (outputs) and long-term goals (outcomes); and organize the information that is important to stakeholders in a concise yet robust presentation.

Finance's requirements currently cover the main CCAF requirements. Overall, the agencies have the fundamentals in place and are meeting Finance's requirements. In order to achieve a fully incorporated evaluation, some improvements are needed including:

- providing a clear link between the agency's goals and overall government objectives
- linking activities to goals and objectives
- linking expenditures to results
- discussing legislation and the authorities under which they operate

Principle 2—Look forward as well as back

Clear expectations are important to a fair assessment of an agency's past performance. Therefore, reports need to identify the specific objectives through which goals are to be realized; track actual achievements against them; inform stakeholders how short-term achievements affect prospects *for realizing long-term goals; and show what has been learned and what will change as a result.*

Finance expects departments to report achievements against expectations. Finance does not yet require targets to be set or show how short-term achievements affect long-term goals and objectives. There is no longer a requirement for targets in Finance's implementation schedule. Performance targets help define what successful achievement of an objective is, help measure progress towards achieving the objective, and aid in prioritizing objectives when an agency has limited resources and capacity.

Most agencies have the fundamentals in place covering off Finance's required elements in their plans and reports. In most cases, these agencies identify key objectives and corresponding results for the year under review. The agencies are outlining key objectives and current year's actions in their plans. In a few cases, the agency reported trends over several years. Reporting on several years' performance results allows the reader to assess performance. None of the plans or reports disclosed management's expectations beyond the year under review.

The reports should explain what management intends to do when results vary from the plan. Most agencies do not adequately explain their results from the point of view of their objectives.

Principle 3—Explain key risks

Reports should identify key strategic risks, explain their influence on policy choices and performance expectations, and relate results achieved to the risks (and the level of risk) accepted. An agency should describe how it formally identifies risks, analyzes and manages risks, and measures its success in reducing risks.

Finance's requirements are limited to identifying the key risks that impact results. In the future, Finance will require reports to explain management's strategies to mitigate major risks.

In 2004-05, the agencies are at various stages of identifying key risks in their public plans and reports. Most agencies are at the start-up level. In most cases, the discussion of risk is insufficient. Risks are generally missing the link to performance results. Also, they are vaguely explained, hard to identify, and acceptable risk is not stated.

Principle 4—Explain key capacity

Reports should disclose and discuss key considerations affecting capacity to sustain or improve results and meet expectations. Reports should focus on the dimensions of capacity of strategic significance and conclusions should be well supported by qualitative and quantitative information.

Discussions of capacity should extend, where relevant, to an agency's infrastructure; computer and technological resources; human resources; and internal systems and processes. These discussions should be provided in the context of the agency's strategic goals and indicate whether it has the necessary capacity or not. Where the capacity to meet future performance expectations is not in place, the report should discuss the agency's plans to build or acquire the needed capacity and address the risks associated with the imbalance.

Finance has not set any requirements pertaining to capacity for 2004-05. In future years, Finance's requirements will include disclosing information concerning capacity considerations in the public plans.

None of the agencies are providing information on their capacity in their 2004-05 plans and reports.

Principle 5—Explain other factors critical to performance

Often, there are key factors that affect an agency's performance such as economic, environmental, or demographic variables and the performance or actions of other organizations. Reports should identify and explain any of these other factors that are important to the agency's success. Also, reports should provide sufficient information to indicate how the agency is managing or responding to those factors.

Finance's requirements are limited to identifying major factors that affected performance. Agencies are also required to disclose relevant third parties in their reports and their involvement with the agency.

Requirements in future years will include reporting on how the agency is responding to critical factors.

Overall, the agencies are in the process of addressing the required elements of this principle. About half of the agencies could do a better job of describing the factors that affect their ability to achieve their goals. The annual reports generally list third parties involvement. However, many reports do not include descriptions of third party involvement in achieving performance results.

Principle 6—Integrate financial and non-financial information

Performance reports need to describe the relationship between resources and results. Associating the cost of resources with results enables agencies to demonstrate how its activities add value. Reports should demonstrate how short-term results contribute to longer-term outcomes for each business line or strategy. This is one of the most difficult principles to implement.

Finance requires a comparison between actual and budget with explanations of major differences. Integration of financial and non-financial information is expected in future years. All agencies have presented actual to budget comparisons of the current year's financial information. Two-thirds of the agencies have the required fundamentals in place and are providing adequate reasons for differences. The remaining agencies are in start-up phase and provide little, if any, explanations. In addition, some of the agencies have not disclosed funding to third parties adequately.

Principle 7—Provide comparative information

Public performance reports should provide comparative information, about past performance and about the performance of similar organizations, when doing so would enhance readers' ability to understand and use the information. Benchmarking against similar processes in similar organizations is one method of providing comparative information about key aspects of performance.

Finance expects the reports to show data for several years to allow readers to review and analyze trend information. Trends make it clear to readers whether performance is stable, improving, or deteriorating. It does not yet expect comparisons to similar agencies.

Most agencies have the required fundamentals in place for providing comparative information. However, the type and level of detail of comparative information provided by each agency varies. Some agencies provide no comparative data, while the majority provide trends over several years. Three agencies have incorporated some benchmarking data into their annual reports even though it is not yet a requirement.

Principle 8—Present credible information, fairly interpreted

Performance reports should present relevant, unbiased, verifiable information that is understandable and balanced. This includes the characteristics of consistency, fairness, and reliability. Performance information that appears in more than one report (i.e., business plan and annual report) should be consistent. In addition, to demonstrate that performance reports are credible, the reports must include adequate qualitative and quantitative information to support management's explanations, interpretations, and judgments.

Finance sets few requirements in this area reflecting the start-up level most agencies are at in reporting. It focuses on consistency and understandability. The guidelines require report narratives to cover each area that the agency views as critical to its success in clear easily understood language. Finance expects the reports to provide adequate information about all critical areas of performance, regardless of the results achieved. Measured information is to presented consistently from one year to the next.

Most agencies have the fundamentals in place covering off Finance's requirements. Most agencies we examined have presented information in a way that is easy to understand and not overly technical. Most agencies have provided some information on the credibility of the data they provide in their plans and reports. The reports, however, tend to describe favourable results and activities. Some reports do not adequately discuss unfavourable results. There were also instances where objectives that were included in the plan were omitted from the annual report. In addition, some reports did not discuss the factors influencing their results.

Principle 9—Disclose the basis for reporting

Performance reports should explain the basis for selecting the critical aspects of performance that the report focuses on. Management needs to describe the steps it has taken to validate the information presented in the report, and any limitations in its ability to do so. An independent audit and report on the performance information is important to corroborate the information and judgments contained in the report.

To help readers understand an agency's performance, CCAF requires reports to show, for each key area of performance, a clear link between each objective and the specific performance measures used to assess progress. It must explain how each selected measure is relevant to achieving the intended outputs or outcomes.

As well, CCAF expects management to clearly define each measure. This enables readers to critically assess the methodologies used and compare results to previous periods or to other agencies. To enhance confidence in its reports, management needs to describe how it is satisfied that the performance information is accurate. This may include systems of internal verification and the use of independent external parties such as auditors.

Finance's requirements currently reflect the start-up level where most agencies are at in reporting. Finance limits its focus in this area to explaining the scope of the annual report as well as to note changes in plans from prior years.

Many of the agencies have the required fundamentals in place to meet Finance's expectations in explaining the scope of the report and noting changes from the prior year. Some agencies have not provided explanations for changes in performance measures. Half of the agencies could provide better descriptions of their reasons for choosing their measures and targets. In addition, only half of the agencies discussed users' involvement in deciding on their performance measures.

Our conclusions and findings

We found that the agencies' public plans and annual reports for the year ended March 31, 2005 contain most of the content requirements of Finance's reporting guidelines. The reports provide more performance information than they did previously and thus enhance public accountability.

As reported in Chapters 17 and 18, the Board of Internal Economy and the Office of Executive Council do not publish performance plans and annual reports. To improve their accountability to the public, these agencies should publish performance plans and annual reports.

First Nations and Métis Relations

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Main points

The Department of First Nations and Métis Relations was created October 1, 2004. It assumed programs previously delivered by the former Department of Government Relations and Aboriginal Affairs.

The Department provided certain First Nations organizations with $30.6 million in 2004-05 under the 2002 Framework Agreement. The Agreement restricts how this money must be managed and spent. These restrictions help ensure First Nations people benefit from this money. Since 2003, we have raised concerns that the Department does not do enough to make sure this money is spent as required by law. During its first six months of operations, the Department has made some progress, but more work remains.

Further, the Department is taking steps to make its information for the Aboriginal Employment Development Program more consistent and reliable. The Department needs to inform the public of its progress in meeting its short- and longer-term targets for the participation of Aboriginal people in the workforce.

Introduction

In this chapter, we set out the results of our 2005 audit of the Department and two follow-ups of the Department's actions to address our previous recommendations related to the Métis and Off-Reserve First Nations Strategy and to the Aboriginal Employment Development Program.

Background

Effective October 1, 2004, Cabinet established the Department to provide a more focused approach to the Government's work involving First Nations and Métis people. The Department works with First Nations and Métis people and their organizations to advance common interests. It must provide leadership to help ensure First Nations and Métis priorities and issues are reflected in provincial government policies and programs. It also helps ensure the Government fulfills its obligations for treaty land entitlement.

The Department's web site contains its annual reports, other key publications, agreements and further information about its programs. It is located at http://www.fnmr.gov.sk.ca/.

Related special purpose funds and agencies

At March 31, 2005, the Department was responsible for the First Nations Fund and Métis Development Fund (also called the Clarence Campeau Development Fund). Each year, the Development Fund gives the Legislative Assembly its annual audited financial statements. The Development Fund has a December 31 year-end. The Development Fund's statements are publicly available at www.gov.sk.ca/finance/.

Overview of Department's finances

For the year ended March 31, 2005, the Department spent $45.8 million. For 2004-05, the Government reported these amounts in the *Public Accounts 2004-05: Volume 2: Details of Revenue and Expenses* (see http://www.gov.sk.ca/finance/paccts) under Government Relations and Aboriginal Affairs (the former department). The following exhibit lists its major programs and spending.

	Original Estimates[1]	Actual
	(in millions of dollars)	
Policy and coordination	$ 2.0	$ 2.3
Support for Aboriginal Organizations and issues	1.3	1.3
Treaty land entitlement	10.7	9.6
Métis Development Fund	2.0	2.0
First Nations Gaming Agreements	29.4	30.6
	$ 45.4	$ 45.8

The Department's 2004-05 Annual Report sets out reasons for significant differences between its planned and actual revenues and expenses. The Department makes this report available on its web site.

Audit conclusions and findings

In our opinion, for the six-month period ended March 31, 2005:

- **the Department had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported otherwise in this chapter**

- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported otherwise in this chapter**

Our Office last audited the First Nations Fund for its year ending March 31, 2002. Since that time, the Trustees of the First Nations Fund have denied us access to the Fund's accounts.

The following sections set out our detailed audit findings and the results of the above-mentioned follow-ups.

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[1] Obtained from *Public Accounts 2004-2005: Estimates* – Aboriginal Affairs Division of the Department of Government Relations and Aboriginal Affairs.

Better monitoring of spending by First Nations Trust and community development corporations needed

The matters reported in Chapter 8 of our 2005 Report – Volume 1 about monitoring the spending by the four community development corporations[2] (CDCs) and the First Nations Trust continue.

For the year ending March 31, 2005, the Department gave the four CDCs $7.6 million (2003-04: $7.2 million) and the First Nations Trust $22.8 million (2003-04: $16.2 million) under the 2002 Framework Agreement[3] (Gaming Agreement).

The Department is entitled to key information from each CDC and the First Nations Trust (a trust set up by the Federation of Saskatchewan Indian Nations (FSIN)) under the Gaming Agreement.

In addition to audited financial statements, each year each CDC and the First Nations Trust must give the Department its auditor's report on whether it has appropriate rules and procedures to ensure the following:

- all money is fully accounted for and properly disposed of
- money is expended for the purposes set out in the Gaming Agreement.

We call this the 'report on controls and compliance'.

Under the Gaming Agreement, the Trust must give the Department the following additional reports: annual report, a copy of the management letter issued by the Trust's auditor and its response thereon and the auditor's report on the adequacy of the Trust's rules and procedures to ensure an effective check on the receipt and allocation of money the Trust receives.

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[2] The four community development corporations are: Painted Hand, Bear Claw, Gold Eagle, and Northern Lights.

[3] The 2002 Framework Agreement is a 25-year agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN). It provides for FSIN to establish a trust and for four Tribal Councils to set up community development corporations (CDCs) each located within their communities. It sets out the portion of annual net profits of the casinos operated by Saskatchewan Indian Gaming Authority that the Trust and CDC's are eligible to receive.

Although not required by the Gaming Agreement, the Department asks each CDC to give the Department a copy of the CDC's annual report and the management letter issued by its auditor and the response thereon.

The CDCs and Trust have fiscal years ending March 31. The Department expected CDCs and the Trust to provide it with the above reports for their March 31, 2005 year-end by July and August 2005, respectively.

These reports provide the Department with critical information on whether the CDCs and Trust are spending as permitted by law. The Department uses reasonable processes to help it receive the information it needs. Chapter 8 of our 2005 Report – Volume 1 sets out these processes in detail.

While the Department has made some improvements since our last report, more is needed.

Starting April 2005, the Department hired a full-time person to monitor spending by the Trust and CDCs and work more closely with these organizations. The Department reminded each organization and its auditor, in writing, of its reporting obligations. The Department followed up where it did not receive reports when or in the form expected. In some cases, it withheld payments until it received the reports.

Effective July 2005, this individual attends the meetings of each CDC's board as the Government's ex-officio board member. Also, the Department is working with FSIN to set up the CDC Standing Committee as allowed under section 7.12 of the Gaming Agreement. The Committee is expected to help and coordinate communications between the Government and CDCs about the operations of CDCs and their distributions of funds.

At October 2005, while the Department had received the Trust's 2004-05 audited financial statements and 2004-05 Annual Report, it has not received the Trust's 2004-05 'report on control and compliance', or a copy of its auditor's 2004-05 management letter or response thereon. Without this critical information, the Department does not know if the Trust corrected the problems identified in the Trust's 2003-04 audit properly. As a result, the Department does not know if the Trust spent the money the Department provided as the law permits. The Department re-reminded, in writing, the Trust of its reporting obligations and specifically asked the Trust of the status of these reports.

At October 2005, most of the CDCs provided the Department with more timely and complete information. However, the Department did not receive certain reports when expected and for one CDC, a report it received did not contain the information to which it is entitled.

At October 2005, the Department has received:

- audited financial statements of each CDC.
- the 'report on controls and compliance' of three CDCs. The report of the auditor of one CDC did not meet the requirements of the Gaming Agreement. This auditor's report did not provide the Department with the information requested. The Department is working with the CDC to obtain the proper report and expects to receive the proper report by the end of November.
- copy of the auditors' management letter of all four CDCs and the response to this letter of three CDCs.
- the 2004-05 Annual Reports of two CDCs.

While the content of the annual reports of CDCs show some improvements, they do not provide adequate information to assess the performance of the CDCs or sufficient detail on projects to which the organization provided money. The Department is working with the CDCs to improve the content of these reports.

We continue to recommend:

- the Department of First Nations and Métis Relations follow all of its processes to ensure the First Nations Trust spends public money as required by law

- the Department of First Nations and Métis Relations ensure it receives sufficient and timely information from each community development corporation to determine:

    - if each corporation properly managed public money

    - spent it only as permitted by law

The Standing Committee on Public Accounts agreed with the above recommendations on October 26, 2005 and June 15, 2004 respectively.

Concerns over First Nations Fund continue

The matters reported in Chapter 7 of our 2003 Report – Volume 3, about the adequacy of the First Nations Fund's processes, its compliance with the law, and reporting continue. We continue to recommend:

- the Department supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with *The Saskatchewan Gaming Corporation Act* (Act)
- the Department provide our Office with the necessary access to the accounts of the First Nations Fund

The Standing Committee on Public Accounts agreed with the above recommendations on November 5, 2002 and June 15, 2004 respectively.

The Department provided the Fund with $51.9 million since 2001. The Department stopped making payments to the First Nations Fund in July 2003. The Fund ceased activity December 10, 2004. In December 2004, the First Nations Trust assumed the Fund's legal responsibilities.

Our Office has not had access to the records of the Fund since the March 31, 2002 audit. Without access, our Office cannot complete the audits of the Fund. As a result, we do not know if the Fund adequately safeguarded public money, complied with the law, and prepared reliable financial reports.

The Department expects to wind up the Fund in late 2005.

Follow-ups of previous audit recommendations

In this section, we describe actions taken by the Department to September 30, 2005. The actions relate to recommendations that we made to the Department in 2001, about coordinating action across twelve government departments and in 2003, about facilitating partnerships.

Coordination across Government—a follow-up

In our 2001 audit, we assessed whether the Department had adequate processes to coordinate action by key government departments on the goals set out in *A Framework for Cooperation: Practical Approaches to Issues Affecting Métis and Off-Reserve First Nations People in Saskatchewan*. The Government now calls this the *Métis and Off-Reserve First Nation Strategy*.

In Chapter 8B of our 2001 Fall Report – Volume 2, we reported the Department had a sound foundation to coordinate action across government except for its processes to monitor and report performance. At that time, the Department did not get regular reports from all participating departments.

We recommended that the Department establish processes to obtain regular written reports on the actions of participating departments. The Standing Committee on Public Accounts agreed with our recommendation in November 2002.

The Department has advised us that it plans to replace the *Métis and Off-Reserve First Nation Strategy*. The Department will consider the recommendation as it develops processes to implement the new strategy.

Facilitating partnerships—a follow-up

The Department's Aboriginal Employment Development Program promotes the employment of qualified Aboriginal people. The Program helps to link employers to the growing number of well-educated Aboriginal young people. Employers, unions, and others who become partners commit themselves in writing to increase the proportion of employees in their workplace that claim an Aboriginal heritage.

In Chapter 5 of our 2003 Report – Volume 1, we reported on how the Department used partnerships to increase the participation of Aboriginal people in the provincial workforce. We based our audit on the criteria set out in Exhibit 1.

Exhibit 1—Criteria to facilitate partnerships

To adequately facilitate effective partnerships to increase participation of Aboriginal people in the workforce, the Department should have processes to:

1. identify key partnership opportunities
2. design sustainable strategies to engage partners
3. formalize clear accountability with partners
4. report progress toward increasing Aboriginal participation in the workforce

In 2003, we found the Department had adequate processes to facilitate partnerships that increase the participation of Aboriginal people in the provincial workforce, with one exception. The Department needed to improve how it measured and reported progress. We recommended the following.

- The Department should take adequate steps to ensure it uses consistent and reliable information to evaluate its progress toward increased participation of Aboriginal people in the provincial workforce.
- The Department should inform the public of its progress in achieving short-, mid-, and long-term measurable targets that contribute to the increased participation of Aboriginal people in the provincial workforce.

The Standing Committee on Public Accounts agreed with our recommendations on June 8, 2004.

In summary, the Department is taking steps to make its information for the Aboriginal Employment Development Program more consistent and reliable. We continue to recommend that the Department take further steps. In addition, we continue to recommend that the Department inform the public of its progress in achieving targets for the participation of Aboriginal people in the provincial workforce.

The sections below describe the Department's progress in more detail.

Reliability of information is improving

To report its progress, the Department collects information from its partners and combines information collected since the beginning of the program in 1997. Combining information from various sources and times increases the risk the information will not be accurate and complete.

To combine information accurately, every partner should report the same type of information in the same way. The Department provides partners with definitions of key terms. Careful definitions for each measure will help partners understand what to report. This will improve the reliability of the information reported.

The Department asks each partner to report the number of Aboriginal employees the partner hired during the fiscal year. The Department asks partners to report permanent and non-permanent hires separately. The Department's 2004-05 Annual Report describes how the numbers it reports are calculated. Readers can now better understand what the numbers mean.

For 2005-06, the Department also asked each partner to report how many of its permanent employees as of March 31st claimed an Aboriginal heritage. The accuracy of this measure depends on employees self-identifying their cultural heritage. The accuracy of the measure also requires employers to track this information consistently. Many partners do not yet collect the information required to report the number of Aboriginal people that the partner employed on a permanent basis. The Department has begun to disclose these limitations in its public reports.

Reporting progress on outcomes as well as activities needed

The Department reports activities to the public in its annual report, news releases, and on its web site. Useful progress reports explain results in the context of outcomes achieved as well as activities completed. Public reports of actual results help partners commit to increased employment for Aboriginal people.

The Department consistently reports activities. For example, the Department reports the total number of awareness training sessions. The Department also reports activities completed by its partners such as the number of Aboriginal people hired and the number of new workers oriented.

The Department's web site reports outcomes achieved as well as activities. For example, the Department reports the number of Aboriginal people permanently employed by its partners. The number permanently employed is an outcome. This allows the Department to report progress toward its ultimate objective of enabling increased participation of Aboriginal people in the workforce.

Justice

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Main points

In this chapter, we set out the results of our audits of the Department of Justice (Justice) and the agencies it manages for the year ended March 31, 2005.

We found that Justice had adequate processes to safeguard public resources and ensure compliance with the law, except as follows.

Justice needs to improve its processes to track, enforce, and collect fines. Justice does not know if it has enforced all fines and charges. As a result, Justice may not achieve its goals of safer communities and upholding the rule of law.

Justice needs to segregate the duties of employees of the Local Registrar offices and Administrative Services Branch to safeguard resources from misuse.

Justice also needs to complete and implement its business continuity plan.

Introduction

The mandate of the Department of Justice (Justice) is to promote safe communities, social and economic order, and fair and just relations. Justice carries out its mandate through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

Justice provides legal services for the Government, and justice and police services for the people of Saskatchewan. Justice also administers registry systems for corporations and local registrars (including trust accounts), and regulates pensions, credit unions, and businesses.

The Government's summary financial statements show expenses of $319 million for the year ended March 31, 2005 (March 31, 2004 - $310 million) for the protection of persons and property.

The following table shows the total government expenditures for protection of persons and property by agency.

	(in millions of dollars)	
	2005	2004
Department of Justice	$ 202	$ 195
Department of Corrections & Public Safety	120	118
Less expenses by Justice and Corrections for purposes other than the protection of persons and property	(58)	(57)
Information Services Corporation of Saskatchewan	34	36
Department of Labour	14	14
Other government agencies	7	4
	$ 319	$ 310

For the year ended March 31, 2005, Justice spent $202 million on its programs and earned revenues of $58 million. The major sources of this revenue are fees and fines. Information about Justice's revenues and expenditures appears in the Department of Justice's 2004-2005 annual report (see http://www.saskjustice.gov.sk.ca).

The following is a list of Justice's major programs and spending as reported in the 2004-05 Public Accounts:

	Original Estimates	Actual
	(in millions of dollars)	
Community justice	$ 102	$ 102
Court services	36	35
Marketplace regulation	5	5
Accommodation and central services	14	14
Legal services	18	20
Administration	4	5
Boards and commissions	21	21
	$ 200	$ 202

Justice is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31, 2005. These include:

Judges of the Provincial Court Superannuation Plan (see chapter for Department of Finance)
Law Reform Commission of Saskatchewan
Office of the Rentalsman Trust Account
Provincial Mediation Board Trust Account
Public Guardian and Trustee of Saskatchewan
Queen's Printer Revolving Fund
Saskatchewan Legal Aid Commission
Saskatchewan Legal Aid Commission Pension Plan
Trust Accounts at Court Houses, Local Registrars, and Sheriff's Offices
Victims' Fund

Our audit conclusions and findings

At the date of this report, we have not completed our audit of Justice's rules and procedures to safeguard public resources and on its compliance with governing authorities for the Victims' Fund. We will report the results of this work in a future report.

In our opinion, for the year ended March 31, 2005:

- **the financial statements for the agencies and funds are reliable**
- **Justice and its agencies had adequate rules and procedures to safeguard public resources, except where we report otherwise in this chapter**
- **Justice and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

System to enforce and collect fines needs improvement

Justice is responsible to track, enforce, and collect fines for offences under various provincial and federal laws. The purpose of a deterrent such as a fine or jail is to discourage the public from violating the law. If deterrents are not enforced, they will not be effective. Without effective deterrents, our communities will be less safe.

Justice's processes for administering fines include:

- controlling the distribution and receipt of tickets to and from law enforcement agencies
- ensuring the accurate and complete recording, tracking, and enforcement of tickets
- controlling the recording and receipt of fine payments
- collecting unpaid fines

Justice told us that law enforcement agencies issue between 130,000 and 150,000 tickets each year.

In this section, we describe weaknesses in Justice's processes to record issued tickets and collect unpaid fines.

The recording, tracking, and enforcement of tickets

Justice needs to improve its processes for the receipt of tickets and informations. Informations are charges or complaints made under *The Criminal Code of Canada*. Improvements in processes are necessary so that Justice properly enforces fines and criminal charges. Several provincial government agencies, as well as other levels of government (i.e., federal and municipal), rely on Justice to enforce fines and charges issued under various provincial and federal laws.

For purposes of this chapter, we refer to tickets and informations as tickets. Tickets may result in either fines or criminal charges. We expected Justice to have processes to know:

- the tickets issued by law enforcement agencies
- unissued tickets

We expected Justice to have cost-effective processes that track tickets directly or require law enforcement agencies (agencies) to provide it with periodic reports on their tracking of tickets.

Justice does not have processes directly or through agencies to track issued and unissued tickets. As a result, it does not know if it has recorded all tickets issued by agencies.

Our tests show that Justice cannot account for tens of thousands of tickets distributed to agencies over the past five years. Justice does not know if these missing tickets have been issued, voided, cancelled, or lost. As a result, Justice does not know if it has enforced all fines and criminal charges. This lack of rules and procedures could result in Justice not achieving its goals of safer communities and upholding the rule of law.

On February 18, 2002, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

We continue to recommend that Justice strengthen its procedures to ensure that Justice records the tickets issued by law enforcement agencies.

During the June 1, 2004 meeting of PAC, the Deputy Minister told the Committee that Justice planned to review, on a sample basis, outstanding tickets in its information system and use the information to guide future practices. In the April 12, 2005 meeting of PAC, the Deputy Minister told the Committee that this review is in progress.

The collection of unpaid fines

For several years, we made recommendations that Justice improve its procedures for collecting court-ordered fines. Justice has implemented all but one of these recommendations.

In January 1999, PAC recommended that procedures be developed to ensure that when repeat offenders appear in court, the sentencing judge will be informed if previous fines are unpaid.

Justice carried out a pilot project. The Deputy Minister reported the results at the April 12, 2005 meeting of PAC. The Deputy Minister told the Committee that the limitations of Justice's existing fines system prevent it from efficiently providing this information to the courts. This system is in the process of being replaced, and Justice intends to explore the feasibility of automated tracking of this information.

We continue to recommend that Justice ensure when repeat offenders appear in court, Justice informs the sentencing judge of any unpaid fines.

Control of cash and suppliers' payments needed

Justice needs to control its cash and suppliers' payments. To do this, Justice must segregate duties of its employees to safeguard resources from misuse. Segregation of duties is inadequate when an employee is in a position to perpetrate and conceal errors or frauds in the normal course of their duties. Justice also needs to segregate duties to ensure that errors or fraud are detected in a timely manner.

We found that some employees at Local Registrar offices have access to cash, enter cash receipts into the accounting system, and do the bank reconciliations. The Local Registrar offices collect approximately $6 million annually.

We found that some employees at the Administrative Services Branch can approve changes to records that establish eligible suppliers, approve payments to suppliers, and record payments to suppliers into the accounting system.

We also found that at the Administrative Services Branch accounting entries could be prepared and approved by the same person.

1. **We recommend that the Department of Justice segregate the duties of employees handling cash and recording cash receipts at the Local Registrar offices.**

2. **We recommend that the Department of Justice segregate the duties of employees that approve changes to eligible suppliers, approve payments to suppliers, and record payments to suppliers at the Administrative Services Branch.**

3. **We recommend that the Department of Justice segregate the duties of employees preparing and approving accounting entries at the Administrative Services Branch.**

Business continuity plan needs improvement

Justice needs to complete its business continuity plan (BCP)[1] to help ensure that it can continue to deliver its critical services in the event of a disaster.

During the year, Justice made progress in developing its BCP. It identified staff responsibilities that would be required to respond to a department emergency. Also, Justice identified its critical services and is completing the development of plans for them. Justice now needs to clearly prioritize which functions would be recovered and when, and ensure all key staff is aware of the priorities. Justice also needs to improve its documentation of procedures for invoking the plan, for central coordination of the plan, and for coordination between the branches.

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[1] **Business Continuity Plan** (BCP)-Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP)-Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

4. **We recommend that the Department of Justice complete and implement its business continuity plan.**

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Saskatchewan Gaming Corporation

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Main points

Saskatchewan Gaming Corporation (SGC) needs to comply with its approved policies and procedures related to delegation of authority, purchasing, code of conduct, and employees' performance evaluations.

Also, SGC needs to document and monitor explanations for differences between actual and expected revenues from table games and document and approve an information technology strategic plan.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Liquor and Gaming Authority. SGC was established under *The Saskatchewan Gaming Corporation Act, 1994*.

Casino Regina is a full-service casino and entertainment centre. The casino has 780 slot machines, 33 table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has 215 slot machines and 7 table games.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is incorporated under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended March 31, 2005 report net revenues of $97.7 million, expenses of $58.2 million, net income of $39.5 million, and assets of $81.9 million. *Saskatchewan Gaming Corporation-Annual Report, 2004-2005* includes SGC's consolidated financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- **SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter**
- **SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable**

Compliance with policies and procedures needed

SGC's Board of Directors needs to ensure management and employees comply with established policies and procedures.

To help ensure they have effective controls to safeguard public resources, public agencies provide guidance to their employees. SGC's Board of Directors has established appropriate guidance for its employees to follow. However, employees did not always follow those policies.

Delegation of authority

The Board's delegation of authority policy sets out the extent of approval authority for individuals holding specific positions within SGC. However, SGC did not always follow the approved policy.

The policy states that the President must approve all payments over $25,000 and contracts over $50,000. The President did not always approve payments and contracts over the established limits.

Failure to follow the delegation of authority policy could result in SGC paying for unauthorized goods and services. Also, employees receive the wrong message when management does not follow the established policies. They receive the message that non-compliance with policies is acceptable.

Purchasing policy

SGC's purchasing policy states that when purchasing goods or services exceeding $5,000, employees must send out requests for proposals. The policy helps ensure that SGC receives the right goods/services at the right time for the right price. The policy also ensures SGC's purchasing processes are fair, open, and competitive. SGC, however, did not always follow the established policy.

In 2004-05, SGC purchased a shuttle bus for approximately $180,000 to transport customers. Also, SGC arranged financing for approximately $8.1 million to replace its slot machine computer system. Management could not provide us the written requests for proposals.

SGC's management told us that while they did not send written requests for proposals to suppliers for these items, they informally requested quotes from suppliers. Management also told us that SGC acquired these goods and services for a fair price because its employees had reviewed the quotes received and recommended the preferred supplier to senior management and the Board.

Because SGC did not always follow its established policy, SGC cannot show if it paid a fair price for some of the goods and services it acquired.

Code of conduct

SGC's code of conduct policy sets out its shared ethical values and expectations concerning employee behaviour. The policy requires that, upon hiring and on an annual basis, employees complete a questionnaire (form). The employees confirm that they have read and understood the code of conduct and that they agree to abide by the code.

However, SGC did not ensure all staff completed the form and reconfirmed their understanding annually. Many personnel files that we examined did not have a completed and signed form. Failure to complete the code of conduct form may indicate that employees are not aware of SGC's expectations concerning their behaviour. When employees do not know an agency's expectations, there is a risk that they may make inappropriate decisions or take inappropriate actions.

Employees' performance evaluations

SGC's performance evaluation policy requires supervisors to evaluate employees' performance on an annual basis. Performance evaluations help ensure employees perform their duties as expected. Senior management also needs this information to develop adequate training plans to help ensure the employees have the necessary competencies to do their assigned work.

Employees did not always follow the performance evaluation policy. Sixty-one per cent of the employees' files that we examined did not include completed performance evaluations.

1. **We recommend that the Saskatchewan Gaming Corporation ensure that employees comply with approved policies relating to delegation of authority, purchasing, code of conduct, and employees' performance evaluations.**

Better monitoring of table games needed

SGC needs to strengthen its rules and procedures to ensure it receives all table game revenues.

Under law, Liquor & Gaming approves the rules of table games including betting limits, house advantage, and use of technology in the games. House advantage is the theoretical percentage of players' bets that SGC should retain over time. The house advantage varies depending on the rules of a particular game and the technology used (e.g., automatic card shufflers).

Monitoring the house advantage for table games is cumbersome. For this reason, gaming operators establish an expected "hold" for each table game. The expected hold represents the revenue from the table game that the operators can expect. Gaming operators then normally monitor the actual hold on table games. They compare the actual hold to the expected hold to ensure that table games are generating revenues as expected and take appropriate actions where required.

SGC employees regularly monitor the table games to ensure gaming staff and patrons play the games in accordance with the approved rules. However, SGC does not compare the actual hold to the expected hold and explain differences. Instead, it compares the actual hold to the prior year's hold without documenting explanations for any differences and how it resolved such differences.

Employees are generally aware of the reasons for differences in table games revenues but prepare no documentation. Documenting reasons for the differences brings rigour and provides a ready reference when explaining the differences to the Board and management. Also, written explanations are useful for training new employees.

2. **We recommend that the Saskatchewan Gaming Corporation document explanations for differences between actual and planned revenues from table games.**

Information technology plan needed

SGC needs to prepare an information technology (IT) strategic plan.

SGC operates in a highly computerized environment. Most of its gaming activities are controlled and monitored through electronic means.

An IT strategic plan would help ensure that management has addressed all the threats and risks to SGC's IT systems. Also, an IT strategic plan would help employees to understand SGC's IT goals. When employees know the goals that an agency needs to achieve, they can contribute more effectively towards achieving those goals.

Management needs to prepare and document SGC's IT strategic plan and ensure the plan is consistent with SGC's overall strategic plan. Also, SGC's Board of Directors must approve the IT strategic plan. SGC should then communicate the approved IT plan to employees.

3. **We recommend that the Saskatchewan Gaming Corporation's Board approve an information technology strategic plan.**

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Northern Affairs

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Main points

To help develop businesses in northern Saskatchewan, the Department of Northern Affairs makes loans to eligible persons beginning or operating businesses. For most of the year, the Department did not have a process to ensure it properly approves all loan documents before it makes the loans. Also, we report that the Department does not have a process to ensure it receives and analyzes the borrowers' financial and operating information as required by the loan agreements.

We report that the Department needs to comply with *The Financial Administration Manual* when it receives money in the mail and pays honorariums to members of its Environmental Quality Committee. The Department did not ensure that the two people who open the mail signed the records and did not ensure that it reconciled the cash received to the bank deposit.

During the year, the Department compensated government employees who served on its Environmental Quality Committee. These employees were not eligible for compensation. Near the year-end, the Department stopped compensating government employees serving on its committee.

Introduction

During 2004-2005, the *Department of Northern Affairs Regulations* made under *The Government Organization Act* established the Department of Northern Affairs (formerly the Office of Northern Affairs-Department of Industry and Resources).

The mandate of the Department is "to promote the social and economic development of northern Saskatchewan communities in partnership with the Federal Government and northern communities by supporting regional development and development of businesses and industries, and coordinating government activities".[1]

The Department has a program, called the Northern Development Fund, to help develop business in northern Saskatchewan. Under this program, the Department makes loans with fixed terms and interest to eligible persons beginning or operating businesses in northern Saskatchewan.

For the year ended March 31, 2005, the Department received $4.9 million from the General Revenue Fund to provide programs and services. The Department also had an approved budget of $2 million for the loan program for the year. During the year, the Department made loans totalling $1.4 million.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- **the Department had adequate rules and procedures to safeguard public resources except for the matters described below**

- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described below**

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[1] Saskatchewan. Department of Finance. (2004). *2004-05: Saskatchewan provincial budget: estimates.* Regina. Page 113.

Controls over cash receipts required

The Department needs to safeguard the money it receives in the mail.

The Financial Administration Manual (FAM) of the Department of Finance applies to the Department. To safeguard public money adequately, the Department must follow the procedures set out in FAM. FAM requires that two people open the mail, record all money received, sign the record, and reconcile the money received to the bank deposit and accounting records.

The Department, however, does not follow FAM. Two employees open the mail, make an electronic record of the mail they open, and pass the cash received to another employee without signing the records. The other employee lists all cash received, totals the amount and makes the bank deposit.

No one in the Department agrees (reconciles) the electronic record of cash received to the bank deposits. This reconciliation would help ensure that the Department has deposited all money it received. Because the Department does not do this reconciliation, there is a risk that public money may be lost or incorrectly recorded in the financial records without timely detection.

We reported this matter in our 2004 Report – Volume 3. In May 2005, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

We continue to recommend that the Department follow the procedures in FAM for opening the mail and safeguarding the money received.

Better management of loan program required

The Department has not established adequate processes to manage the Northern Development Fund (NDF) loan program.

Under this program, the Department approves fixed-term loans to persons in northern Saskatchewan for economic development. The Department's strategic plan sets out the goals and objectives of this loan program. The Department is responsible to monitor the loans and collect the amounts due.

For most of the fiscal year, the Department did not have a process to ensure it properly approves all loan documents before it made the loans. The Department had a delegation of authority, but it was not up-to-date. For example, for approval of loans, it referred to positions that no longer existed. Therefore, it was not clear who had the authority to approve loans. Near the year-end, the Deputy Minister approved and communicated to staff an updated delegation of authority for loan approval.

The Department also needs to establish and communicate conflict-of-interest guidelines for approving loans. Those guidelines need to be consistent with the conflict-of-interest policies established by the Public Service Commission.

The Department also does not have adequate processes to monitor borrowers' operations to ensure the loan program is meeting the Department's goals as set out in its strategic plan.

To effectively monitor the loan program, the Department must receive and analyze the borrowers' financial and operating information as required by the loan agreements. The Department does not do so. Also, the Department does not have evidence of how its staff monitors outstanding loan balances. Staff appeared to be generally aware of the status of the loans, but the loan files did not have adequate evidence of monitoring.

Inadequate loan approval and monitoring processes increase the risk that the Department may not achieve its objectives for providing the loans or collect amounts due.

1. **We recommend that the Department of Northern Affairs receive and analyze the borrowers' financial and operating information as required by its loan agreements.**

Unauthorized payments to committee members

The Department made unauthorized payments to some of its Environmental Quality Committee members.

The Department established an Environmental Quality Committee to advise on environmental issues in northern Saskatchewan. Two of the committee members are government employees. FAM states that government employees on departmental committees are not eligible for compensation.

During the year, the Department paid $4,550 to the government employees on the committee. As a result, the Department did not comply with FAM and made unauthorized payments of $4,550.

We also examined prior years to see if the Department had made similar payments. We found that in the period from April 1, 2000 to March 31, 2004, the Department made unauthorized payments to government employees on the Committee of $11,284.

Near the year-end, the Department stopped compensating government employees serving on its committee.

Agriculture, Food and Rural Revitalization

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Main points

In this chapter, we report the results of the audit of the Department of Agriculture, Food and Rural Revitalization (Department) and the special purpose funds and agencies for which it is responsible.

For the audits that are complete and where we participated in the audit, we concluded that the financial statements of the Department's special purpose funds and agencies are reliable. The Department and its agencies complied with the authorities governing their activities. The Department and its agencies had adequate processes to safeguard public resources except as noted below.

For the Agri-Food Innovation Fund and the Pastures Revolving Fund, the Department needs to improve its processes to ensure that it maintains accurate financial information to prepare the Funds' financial statements.

Introduction

The mandate of the Department of Agriculture, Food and Rural Revitalization (Department) is "to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector, and healthy and diverse rural communities. Working with individuals, businesses, communities, and governments, the Department assists farmers and ranchers, encourages higher value production and processing, and promotes sustainable economic and social development in rural Saskatchewan."[1] Effective April 2005, the Department's name changed to the Department of Agriculture and Food.

Financial overview

The following table sets out the Government's total expenditures and revenues for the agricultural programs it administers through the Department and other agencies that the Government controls. The Government's summary financial statements for the year ended March 31, 2005 reflect this information.

	2005	2004
	(in millions of dollars)	
Agriculture expenditures by program:		
Crop insurance	$ 473	$ 421
Farm stability	238	196
Other	69	85
	$ 780	$ 702
Agriculture revenues by source:		
Federal Government	$ 255	$ 195
Producers' crop insurance premiums	109	126
Sales, services, fees, permits, and other	42	42
Interest on loans and investments	2	7
	$ 408	$ 370

The Department's 2004-2005 Annual Report[2] contains information about the Department's revenues and expenditures. The Public Accounts compendium[3] reports the revenues and expenses of the Department's special purpose funds and agencies listed below, except for agencies under the Agri-Food Council, which are reported in the Council's annual report and on its web site[4].

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[1] Saskatchewan. Department of Finance. (2004). *2004-05: Saskatchewan provincial budget: Performance Plan: Saskatchewan Agriculture, Food and Rural Revitalization.* Regina: Author. page 2. http://www.agr.gov.sk.ca/docs/about_us/department_info/agriculture0405plan.pdf

[2] http://www.agr.gov.sk.ca/DOCS/about_us/department_info/SAFRRAnnualReport_0405.pdf

Special purpose funds and Crown agencies

The Department is responsible for the following:

	Year-end
Agricultural Credit Corporation of Saskatchewan	March 31
Agri-Food Council	March 31
Agricultural Implements Board	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Cattle Marketing Deductions Fund	March 31
Crop Reinsurance Fund of Saskatchewan	March 31
Horned Cattle Fund	March 31
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31
Livestock Services Revolving Fund	March 31
Milk Control Board	December 31
Pastures Revolving Fund	March 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31

Agencies under the Agri-Food Council

Chicken Farmers of Saskatchewan	December 31
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31
Saskatchewan Canola Development Commission	July 31
Saskatchewan Egg Producers	December 31
Saskatchewan Flax Development Commission	July 31
Saskatchewan Forage Seed Development Commission[5]	June 30

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[3] http://www.gov.sk.ca/finance/paccts/paccts05/05paper1.htm

[4] http://www.agr.gov.sk.ca/agrifood

[5] Created in July 2005, therefore will be audited for year ended June 30, 2006

Saskatchewan Mustard Development Commission	July 31
Saskatchewan Pulse Crop Development Board	August 31
Saskatchewan Sheep Development Board	September 30
Saskatchewan Turkey Producers' Marketing Board	December 31
Sask Pork	July 31

Key Risks

It is important that the Members of the Legislative Assembly (MLAs) and the public know the key risks facing a government department. Also, they should receive information on these risks to understand and assess a department's performance. We think sharing our understanding of the key risks will help the MLAs and the public better understand and assess a department's performance.

We identified the key risks the Department must manage well to be successful. The Department must provide support so that:

- Saskatchewan is able to compete successfully in world agricultural markets
- Saskatchewan's agricultural production and processing industries are sustainable and commercially viable
- Saskatchewan's agricultural production and processing industries provide reasonable investment opportunities
- Saskatchewan's agricultural production and processing industries are adequately diversified from primary agricultural products to higher value products

We identified the key risks through discussions with management and reviewing the Department's web site and annual report. Management confirmed that these are the key risks facing the Department. We have not audited the systems and practices the Department uses to manage its key risks.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for the Department for the year ended March 31, 2005 and for its special purpose funds and agencies with March 31, 2005 or July 31, 2005 year-ends where we participated in the audit except for Saskatchewan Agricultural Stabilization Fund (SASF), Saskatchewan Canola Development Commission, and the Saskatchewan Mustard Development Commission. Our audits of these agencies are not complete. In addition, KPMG has not completed its audit of SASF. We will report the results of these audits in a future report.

We did not participate in the audits of agencies under the Agri-Food Council except for Sask Pork, Saskatchewan Canola Development Commission, and Saskatchewan Mustard Development Commission. Instead, as part of our audit of the Department, we examine the supervisory work carried out by the Council regarding those agencies' financial statements and their processes to safeguard public resources and comply with legislative authorities.

Our Office worked with the following appointed auditors:

- KPMG LLP
  - Saskatchewan Agricultural Stabilization Fund
  - Saskatchewan Crop Insurance Corporation
  - Crop Re-insurance Fund of Saskatchewan

- Meyers Norris Penny LLP
  - Agricultural Credit Corporation of Saskatchewan
  - Sask Pork

To complete our work we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see http://www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for the Department for the year ended March 31, 2005 and its special purpose funds and agencies with March 31, 2005 or July 31, 2005 year-ends where we participated in the audit:

- the Department and its agencies had adequate rules and procedures to safeguard public resources, except where we report otherwise in this chapter

- the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

- the financial statements of the Department's special purpose funds and agencies are reliable

Agri-Food Innovation Fund

The purpose of the Agri-Food Innovation Fund (Fund) is to enhance the diversification of the Saskatchewan agriculture and food industry, support research and development, and encourage farmers and rural residents to create economic opportunities and jobs.

The Fund's financial statements for the year ended March 31, 2005 report an accumulated surplus of $3.5 million and a deficit for the year of $1.2 million.

Accurate financial information was not prepared or maintained

The Department did not prepare accurate financial statements and did not maintain accurate financial records for the Fund.

The Fund made agreements with various contractors to carry out projects to achieve the Fund's objectives. The Department uses a spreadsheet to track important information regarding the Fund's projects (for example, the amount of expenses incurred by each project to date, amounts paid to contractors, and future commitments). The Department uses the information from this spreadsheet to prepare the financial statements.

The staff member responsible for maintaining the accuracy of the spreadsheet left the Department. Other Department staff ensured that authorized payments were made to project contractors, however, the project spreadsheet was not accurately maintained. When the spreadsheet information was used to prepare the financial statements, it resulted in inaccurate financial statements. For example, the deficit for the year was $69,000 higher than it should have been.

The Department should provide adequate guidance and supervision to staff to ensure that the project spreadsheet information is properly maintained and accurate financial statements prepared. To properly maintain the spreadsheet, the Department must ensure the details regarding projects are accurate. To prepare accurate financial statements, staff must understand how information on the spreadsheet is to be presented on the financial statements using Canadian generally accepted accounting principles (GAAP).

1. **We recommend that the Department of Agriculture and Food provide adequate guidance and supervision to staff recording information and preparing financial statements.**

Pastures Revolving Fund

The Pastures Revolving Fund (Fund) provides for the establishment, operation, management and maintenance of pastures, and programs and services related to pasture and livestock management. It also provides programs related to developing, protecting, and promoting the environmental, social, and economic use of pastures.

For the year ended March 31, 2005, the Fund had an annual surplus of $1.0 million and assets of $3.4 million.

Manual needs improvement

The Department needs to update the Fund's Policies and Procedures Manual for financial reporting.

Written guidance forms part of an agency's system of internal control. Usually, such guidance is provided in an accounting policies and procedures manual. This manual can be a guide to staff as they carry out their duties. Recorded policies and procedures help in the orderly and efficient conduct of business and help ensure financial reports are accurate.

An accounting policies and procedures manual should include:

- a description of the information needs of senior management and central agencies
- a description of the tasks and responsibilities for all staff positions
- a description of the significant accounting policies together with procedures necessary to ensure financial reports are properly prepared in accordance with GAAP
- detailed administrative control procedures for all accounting systems

Employees are able to refer to the Financial Administration Manual (FAM) which contains some components of the information required in a policies and procedures manual. For example, FAM provides guidance on accounting policies appropriate for revolving funds in section 3215. However, FAM does not provide direct, detailed guidance on procedures necessary to ensure that financial reports are prepared in accordance with GAAP. Neither FAM nor the Fund's existing manual includes detailed year-end procedures for preparing accurate reports on accounts receivable, accounts payable, unearned revenue, revenues, and expenses.

The financial statements presented for audit contained the following errors. Proper guidance on financial reporting would have helped staff to prepare financial statements without these errors.

- Accounts receivable were understated by $42,500
- Capital assets were overstated by $25,000
- Bad debt recovery was overstated by $37,000
- Petroleum and gas lease revenue was overstated by $24,500

We reported this matter in our 2004 Report – Volume 3. The Standing Committee on Public Accounts considered this matter on June 20, 2005 and concurred with our recommendation.

We continue to recommend that the Department include guidance for financial reporting in the Pastures Revolving Fund's Policies and Procedures Manual.

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Board of Internal Economy

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Main points

The Board of Internal Economy (Board) is generally well managed and is complying with the law. However, the Board needs to make further improvements in three areas.

First, the Board needs to complete its business continuity plan to help ensure that it can continue to deliver its vital services in the event of a disaster.

Second, the Board needs to approve the plans and reports it uses to make decisions. The Board should ensure that the reports it receives provide the information it requires to assess performance.

Third, the Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

Introduction

The Board of Internal Economy (Board) assists Members of the Legislative Assembly (MLAs) to perform their responsibilities. It provides funding and support services to MLAs, the Legislative Assembly, and its committees. It also informs the public of the Legislature's activities. The Board provides administrative services for the Offices of the Ombudsman, the Children's Advocate, the Information and Privacy Commissioner, and the Conflict of Interest Commissioner.

In 2004-05, the Board received $18.5 million from the General Revenue Fund and spent this money on its programs. Information about the Board's expenditures appears in the *Public Accounts 2004-05: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts).

The following is a list of major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Payments and Allowances to MLAs	$ 10.9	$ 10.7
Legislative Assembly Services	4.4	4.1
Administration	2.1	2.3
Caucus Operations	1.4	1.4
	$ 18.8	$ 18.5

Key risks the Board faces

The Board plays a key role in helping MLAs with their important responsibilities. How MLAs carry out their duties influences the quality and effectiveness of the Government and the public's confidence in our parliamentary system of government. Responsibilities of MLAs include:

- making the laws that govern people and the Executive Government
- holding the Executive Government accountable for how it carries out its activities

- representing their constituencies in the Legislative Assembly

In assisting MLAs to carry out their important responsibilities, the Board faces many risks. Four key risks the Board needs to manage are to:

- ensure the Legislative Assembly and its committees can function effectively
- ensure MLAs can access appropriate resources, information, and advice from the Board to enable them to effectively carry out their responsibilities in the Legislative Assembly
- ensure MLAs can access appropriate resources from the Board to carry out their activities in their constituencies and are accountable for the use of those resources
- ensure the public can assess whether the work of the Legislative Assembly and MLAs is relevant and done well

For additional discussion of these key risks and the Board's strategies to manage them, see our 1999 Fall Report – Volume 2.

Our audit conclusions and findings

In our opinion for the year ended March 31, 2005:

- **the Board had adequate rules and procedures to safeguard public resources except where we report otherwise in this chapter**
- **the Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Better plans and reports required

The Board needs to approve the plans and define the reporting it requires to make decisions.

The Board's plans should set out its goals, objectives, and the performance targets and measures needed to monitor its progress. The reports the Board receives should show the Board's progress in achieving its plans. This information would also provide a sound basis for preparing an annual report.

Management prepared a draft strategic plan in 2002 that was considered by the Board in February 2003. The plan has been discussed by the Board but not yet approved. Management is waiting for further direction to revise and update the strategic plan. We look forward to the Board completing this work.

The Board has not defined its reporting requirements. The Board does not receive reports that show the effectiveness of the Board's programs and services (i.e., what results the Board expects and how it is progressing towards those expectations).

The Board receives quarterly financial reports that compare planned results to actual results with forecasts to the end of the year. These reports also include explanations of differences.

We also reported this matter in previous years.

1. **We continue to recommend that the Board of Internal Economy:**

   - **set and approve its operational goals and objectives**
   - **set performance targets and measures**
   - **monitor its progress in achieving its goals and objectives**
   - **define and document the operational reports it expects to receive from management**

Annual report needed

The Board does not prepare an annual report on its performance for the Legislative Assembly.

The Legislative Assembly and Executive Council Act does not require the Board to prepare an annual report. However, almost all government agencies provide the Legislative Assembly with an annual report. Also, the Standing Committee on Public Accounts recommended that all departments provide timely annual reports on their activities.

To assess performance of public sector agencies, MLAs and the public need to know how the agency is managing its key risks. They also need to receive information about the agency's goals and objectives, and how successful the agency has been in achieving those goals and objectives. Annual reports can provide this information.

To be good accountability documents, annual reports should also describe what the agency is about, how it manages its key risks, what it has done, where it is now, and what it plans to do. To ensure that the information in the report is relevant and understandable, the annual report should be written clearly and be available promptly after the agency's year-end.

As we noted earlier, the Board also needs to improve its internal reports. These reports would provide a sound basis for the preparation of an annual report.

The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

We also reported this matter in previous years.

2. **We continue to recommend that the Board of Internal Economy prepare an annual report on its performance and provide the report to the Legislative Assembly.**

Business continuity plan needs improvement

The Board needs to complete its business continuity plan[1] to help ensure that it can continue to deliver its vital services in the event of a disaster.

During the year, the Board made progress in developing its business continuity plan. It identified staff responsibilities that would be required to respond to an emergency. Also, the Board has identified its vital services, including operating the Legislative Assembly, and is completing the development of plans for these services. The Board now needs to clearly prioritize when functions would be recovered and ensure all key staff is aware of the priorities. The Board also needs to test the plan and improve its documentation of its procedures for invoking the plan, central coordination of the plan, and ongoing maintenance.

3. **We recommend that the Board of Internal Economy complete and implement its business continuity plan.**

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[1] **Business Continuity Plan** (BCP)-Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery plan (DRP)-Plans by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity plan.

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Office of the Executive Council

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Main points

The Office of the Executive Council had adequate processes to safeguard public resources except that it needs to provide the Legislative Assembly with a performance plan and annual report each year. It also needs to develop systems to measure the results achieved for its key performance measures.

We also report that the Department complied with authorities governing its activities.

Introduction

The Office of the Executive Council (Department) is to facilitate and communicate decisions of the Executive Council (Cabinet). The Department:

- provides research, analysis, and policy advice to Cabinet and its committees
- coordinates policy development and government communications
- manages Cabinet's records

The Department provides support to the Premier in his role as: Head of Government; Chair of Cabinet; and Head of the political party with a mandate to govern.

The Department received $7.5 million from the General Revenue Fund in 2004-2005 and spent this money on its programs.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2005:

- **the Department had adequate rules and procedures to safeguard its resources except for the matters described below**
- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Public reporting of plans and results needed

The Department should provide legislators with written reports on its planned and actual performance each year.

Public reporting helps legislators and the public understand what the Department expects to achieve, how the Department monitors its results, and what the Department has achieved.

In 2003, the Government adopted a managing-for-results approach for government departments. It adopted this approach to improve transparency and accountability[1]. Using this approach, departments must prepare and make public solid performance reports-performance plans and annual reports each year. The Department of Finance provides departments with guidance on information to be included in each of these reports.

Unlike other government departments, the Department does not provide legislators with either a performance plan or annual report each year. At October 2005, Cabinet continues to grant the Department an exemption from preparing an annual report. Performance reports not only allow the public to better assess the operations of the Department, but they provide opportunities for the Department to explain how well its work is carried out.

1. **We recommend that each year the Office of the Executive Council provide the Legislative Assembly its performance plan and annual report prepared using the Government's Accountability Framework.**

Monitoring of results needs improvement

The Department needs to improve how it monitors its progress in achieving its planned results.

The Department developed a strategic plan to cover the period 2001-02 to 2004-05 (Plan). The Department continues to use this Plan to guide its operations until it is replaced. At September 30, 2005, it has started its process to update this Plan.

The Plan sets out the Department's goals, objectives, 23 performance measures, and selected targets. It does not contain all of the information expected under the Government's Accountability Framework at March 31,

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[1] Accountability Framework, Department of Finance, http://www.gov.sk.ca/finance/accountability/default.htm, Accessed October 10, 2005

2005. For example, the Plan does not identify which measures are key to its operations and provide baseline data for these measures.

During 2004-05, the Department informally monitored its progress against this Plan. The Department has not completed its development of systems necessary to measure work performed and results achieved.

2. **We recommend that the Office of the Executive Council complete the development of systems to measure work performed and results achieved for its key performance measures.**

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Office of the Chief Electoral Officer

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Main points

The Office of the Chief Electoral Officer plays an integral role in our electoral process. It is important that the public have confidence in our electoral process.

Telling legislators and the public what it achieved compared with what it planned to do will help the Electoral Office to show how well it manages.

The Office of the Chief Electoral Officer needs to make continued improvements to its performance plan and annual report.

Introduction

The Office of the Chief Electoral Officer (Electoral Office) administers *The Elections Act, 1996*. Since 1998, the Chief Electoral Officer is a legislative officer of the Legislative Assembly.

The role of the Electoral Office is to ensure public confidence in the integrity of the electoral process for the Saskatchewan electorate.

The Electoral Office is responsible for the following. It:

- plans and administers provincial elections and by-elections for the Legislature, enumerations other than during an election, and provincial election finances under *The Election Act, 1996*
- maintains the Government's political contributions tax credit disclosure regime under *The Political Contributions Tax Credit Act, 2001*
- administers plebiscites and referendums under *The Referendum and Plebiscite Act* and time votes conducted under *The Time Act*

For the year ending March 31, 2005, the Electoral Office spent $794,000 ($7.8 million in 2003-04).

Audit conclusions and findings

In our opinion, for the year ending March 31, 2005, the Electoral Office:

- **had adequate rules and procedures to safeguard public resources except for the matter reported in this chapter**
- **complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Improved performance planning and reporting needed

The Electoral Office does not have a complete performance management system.

In 2004-05, the Electoral Office developed its strategic plan. This plan includes many components essential to a good plan. However, at March 31, 2005, the Electoral Office has not determined how it will measure its success (selected key performance measures) and set related targets. Without this information, the Office cannot provide legislators with a complete report on its performance.

We continue to recommend that the Electoral Office include the following information in its future annual reports:

- actual progress against its performance measures and targets
- the extent to which activities achieved goals
- overall financial results

On September 29, 2004, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

The Electoral Office notes that it plans to include the following information in its next annual report:

- key performance measures
- the extent its activities help it meet its previously reported goals
- financial resources used by key activity

Saskatchewan Property Management Corporation

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Main points

In this chapter, we report the results of the audit of Saskatchewan Property Management Corporation (SPMC) for the year ended March 31, 2005.

We concluded that the financial statements of SPMC are reliable. SPMC also complied with the authorities governing its activities. It had adequate processes to safeguard public resources except SPMC needs to improve its process to record estimates in its financial statements.

SPMC records significant estimates in its financial statements. These estimates involve complex calculations. SPMC needs to properly document, review, and approve all accounting estimates before recording them in the accounts.

Effective April 1, 2005, SPMC became the Department of Property Management.

Introduction

Up to March 31, 2005, the Saskatchewan Property Management Corporation (SPMC) operated under the authority of *The Saskatchewan Property Management Corporation Act*. SPMC provided centralized accommodation and support services to Government departments, Crown corporations, boards, agencies, and commissions.

SPMC's 2005 financial statements show SPMC had revenues of $223 million, expenses of $211 million, and as at March 31, 2005 held assets of $415 million.

Effective April 1, 2005, SPMC became the Department of Property Management.

Our audit conclusions and findings

Our office worked with Deloitte & Touche LLP, the appointed auditor for SPMC, to form the following opinions. We followed the framework recommended in the *Report of Task Force on the Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see http://www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended March 31, 2005:

- **SPMC's financial statements are reliable**
- **SPMC had adequate rules and procedures to safeguard its public resources except for the matter described below**
- **SPMC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Approval and documentation of estimates

SPMC did not properly review the reasonableness of its lease escalation accrual recorded in its 2005 financial statements. The lease escalation accrual is the estimated amount SPMC owes landlords for unpaid rent.

An agency makes accounting estimates when sufficient information is not available during preparation of its financial reports or statements. In doing so, the agency must clearly document how it determines these amounts. For significant estimates, the individual preparing the estimate must set out, in writing, the basis of the estimate, the method and key assumptions used to calculate the amount, the extent these assumptions may be subject to change, and the source of the underlying data.

Each year, SPMC estimates its lease escalation accrual and records this estimate as a lease expense in its accounts. For the year ending March 31, 2005, SPMC had not fully documented the basis for its estimated lease escalation accrual when management approved the estimate for recording in its accounts.

At March 31, 2005, SPMC initially estimated and recorded a lease escalation accrual of approximately $1.7 million. During the audit, SPMC reconsidered how it calculated its initial estimate and decreased it by $0.7 million. When management reviewed and approved these estimates, it did not have enough documentation to determine if these estimates were reasonable. Later, it was determined that the accrual should be $1.7 million.

Also, given that the estimated lease escalation accrual is a complex calculation, it is important that management review and approve the estimate independent of the preparer of the estimate and prior to recording the amount in its accounts. Sufficient documentation is essential for proper review and approval.

Without the proper supporting documentation, SPMC increases the risk that the estimated amount recorded in its accounts may be incorrect.

1. **We recommend that management of the Department of Property Management document the process and basis for accounting estimates.**

Reporting on infrastructure—follow-up

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Main points

This chapter describes the status of our 2002 and 2003 recommendations about the adequacy of the information that three government agencies made public about key infrastructure they manage. These agencies are Saskatchewan Transportation Company (STC), Department of Highways and Transportation (Highways), and Department of Property Management (SPM).

STC has fully addressed our recommendation for improved public information. While Highways and SPM have improved the quality of information they publish, further improvements are needed, particularly the public disclosure of targets. We recognize that most of these improvements will occur in conjunction with improvements in performance reporting expected under the Government's Accountability Framework.

Introduction

The public relies on infrastructure to provide a wide range of public services; the Government relies on infrastructure to operate. Since 2002, our Office has encouraged the Government to improve its management of infrastructure and improve the information it publishes about it.

This chapter provides an update on the progress made on our previous recommendations by three agencies (Department of Highways and Transportation (Highways), Saskatchewan Transportation Company (STC), and Saskatchewan Property Management Corporation).[1] In May 2004, the Standing Committee on Public Accounts agreed with our recommendations.

To determine the status of the recommendations at October 31, 2005, we did the following:

- asked each agency to identify actions taken since our 2004 Report – Volume 3
- reviewed key information (e.g., annual reports, performance plans) each agency provided to the public
- assessed status of implementation for each recommendation

The following sections highlight, by agency, the recommendation related to the agency, actions taken, and the status of the recommendation.

Saskatchewan Transportation Company

STC has met the following recommendations that we made in our 2003 Report – Volume 3. We recommended that STC provide the public with additional information about:

- the current condition of its facilities to help explain their capacity

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[1] The Government disestablished Saskatchewan Property Management Corporation and created the Department of Property Management effective April 1, 2005.

- strategies used to manage major risks facing its facilities by describing the actions it is taking to reduce these risks to an acceptable level

Chapter 18 of our 2004 Report – Volume 3 noted while STC provided information on the condition of its Regina facilities and related risks, it did not for its other facilities. STC uses its annual reports, quarterly corporate reports, web site, and news releases to provide the public with this additional information.

STC's 2004 Annual Report includes additional information about the condition of all its facilities. Also, STC discloses the age of each of its facilities and the key processes it uses to maintain those facilities (e.g., all facilities receive regular insurance inspections).

STC continues to disclose its risks and strategies to mitigate those risks relating to the Regina facilities (e.g., accessibility and structural). For example, in July 2005, it announced the building of a new bus depot and head office in Regina (i.e., strategy to mitigate risk).

STC provides the public with good information about its fleet of buses and facilities.

Department of Highways and Transportation

Highways has not yet fully implemented the recommendation we made in our 2002 Fall Report – Volume 2. We recommended that Highways give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained.

Chapter 18 of our 2004 Report – Volume 3 reported that Highways provided its key plans for highway condition, safety, and reliability along with its basis for measuring its results, but not comparisons of planned to actual results.

In its 2004-05 Annual Report, Highways compares the status of all but three of its measures to the status in prior years. It explained why some measures were not updated for the 2004-05 fiscal year.

Consistent with the Department of Finance's *Content Requirements for 2005-06 Performance Plans*, Highways' 2005-06 Performance Plan does not include targets.[2] Inclusion of targets will help Highways to describe the extent to which it has achieved its intended result for each measure. Highways will publish targets and report its performance against these targets in future annual reports, as guided by the Department of Finance.

We continue to recommend that Highways give the public additional information on comparisons of plans related to its highways to actual results and explanations of any differences.

Department of Property Management

The Department of Property Management (SPM), formerly Saskatchewan Property Management Corporation, has not fully implemented the recommendations we made in our 2003 Report – Volume 3. We recommended that SPM provide the public with additional information about:

- the capacity of its facilities and vehicles including their current condition and potential volume of service
- the extent to which the use of key infrastructure (i.e., facilities, vehicles, and aircraft) achieved its operational and financial plans, and significant differences between actual and planned results

Chapter 18 of our 2004 Report – Volume 3 noted SPM published adequate information about the capacity of its vehicles and aircraft (i.e., the volume of services SPM can provide). But SPM needed to report information about the condition of its facilities, as well as comparisons of planned and actual operational results from the use of its infrastructure.

Similar to STC, SPM uses its annual reports, performance plan, and web site to provide additional information about key infrastructure. Its 2005-06 Performance Plan discloses the key operational performance measures, including two new measures, it intends to use to measure the results from facilities. Also, the 2005-06 Performance Plan includes the performance measure "Average condition of Government buildings (Facility Condition

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[2] Targets are quantifiable estimates of results expected over a specific period.

Index)". The "Facility Condition Index" (FCI) is an industry standard which provides the public with useful information about the capacity of its facilities.

As with Highways, SPM has not published the performance targets it will use for its measures, as guided by the Department of Finance under the Government's Accountability Framework. As a result, SPM has not provided a comparison of its planned and actual results for these measures. SPM expects to provide its targets and report against them in future reports.

We continue to recommend that SPM provide the public with additional information about the extent to which the use of key infrastructure (i.e., facilities, vehicles, and aircraft) achieved its operational and financial plans, and significant differences between actual and planned results.

Next steps

Both Highways and SPM handle significant public infrastructure. It is important they keep legislators and public informed about this infrastructure. We will continue to monitor Highways' and SPM's progress towards implementing our recommendations.

Standing Committee on Public Accounts

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Main points

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations included in the Public Accounts. During its review, the Committee can inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public assets. The Government has fully implemented 91% of the Committee's recommendations. Of the recommendations that are not yet fully implemented 80% are partially implemented.

In the exhibit to this chapter, we set out the status of the Committee's outstanding recommendations and indicate whether the Government has partially implemented them or has not implemented them. Where possible, we also indicate the progress made since our 2004 Report – Volume 1.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee or PAC). It briefly describes what the Committee does, how it is structured, and how it works.

This chapter discusses the importance of the Committee's deliberations and recommendations, and highlight some of its recent accomplishments. Also, in the exhibit, the chapter sets out the status of the Committee's outstanding recommendations. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing toward meeting the Committee's expectations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members to the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of nearly 300 agencies, including departments, boards, and Crown corporations (see Appendix 2 to this Report for a list of these agencies). It seeks approval for the use of these resources through laws and the Legislative Assembly's approval of the Estimates.

Each year, the Government prepares the Public Accounts. The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government and the financial statements of the General Revenue Fund (GRF). The second report contains details on revenues and expenditures (including a listing of salaries and wages) of the GRF, details on capital asset acquisitions of the GRF, key financial information of pension plans and trust funds administered by the Government, and a listing of taxes and fees. The reports are available at www.gov.sk.ca/finance/.

The Assembly refers to the Committee the Public Accounts and the reports of our Office. The Committee uses these reports to review the Government's management of public resources.

The Committee's main objective is to discuss and recommend actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of all government agencies (e.g., departments, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports on the results of our work at these agencies.

Government officials attend the Committee meetings and answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government, and in better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and it contributes to the public's confidence in our system of government.

The Committee's meetings are open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) are available to the public on the Committee's web site www.legassembly.sk.ca/committees/.

The members of the Standing Committee on Public Accounts

As of October 2005, the members of the Committee were:

- Elwin Hermanson, Chair
- Lon Borgerson, Deputy Chair
- Ken Cheveldayoff
- Glenn Hagel
- Ken Krawetz
- Kim Trew
- Kevin Yates

Committee accomplishments

Since the spring of 2004, the Committee met 24 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports include our 2001 Fall Report (Volume 2), 2002 Fall Report (Volume 2), 2003 Report (Volumes 1 and 3), 2004 Report (Volumes 1, 2, and 3), and 2005 Report (Volume 1). The Committee has completed its review of these reports.

At the time of this report, the Committee's First Report to the 25th Legislature is drafted. The Committee plans to present it to the Assembly in November 2005.

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 136 recommendations. Some of these recommendations take a number of years to implement. As of March 2005, the Government has fully implemented 91% (March 2004 – 83%) of the Committee's recommendations. The Government has partially implemented 80% (March 2004 – 57%) of the recommendations that are not fully implemented.

The Committee has asked us to monitor compliance with its recommendations and to report on their status. The exhibit provides an update on the status of the Committee's recommendations for the past ten years. The exhibit lists all of the Committee's recommendations that the Government has not yet fully implemented.

Key terms used in the exhibit

Each recommendation in the exhibit includes a reference to a "PAC Report Year." This refers to the year that the Committee first made the recommendation. The "Outstanding Recommendation" column of the exhibit sets out those recommendations that the Government has not yet fully implemented. The Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official response from the Government. In the exhibit, these recommendations are set out in bold type and are preceded by **CR** (e.g., **CR3**).

2. **Committee concurs with recommendations** of our Office. These are our Office's recommendations that the Committee supports and agrees with but on which it **does not expect a formal response** from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government to follow up on progress in complying with the recommendations. In the exhibit, these recommendations are identified by a non-bolded number (e.g., 10.46) preceding them. The non-bolded numbers reflect the chapter and paragraph number of our related report.

For each outstanding recommendation, our Office has assessed the status of the recommendation. We list the status of each recommendation as either not implemented or partially implemented. We do not list recommendations that are implemented. We indicate the date of our assessment in parentheses following the status. Generally, the date of our last assessment is based on the timing of our most recent audit work.

Not implemented – Based on the last assessment, the Government has not taken action on this recommendation.

Partially implemented – Based on the last assessment, the Government has taken some action on this recommendation.

Where possible, in the status column, we indicate progress made since our 2004 Report – Volume 1.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

- clearly define the issue
- set out the sources of supporting information gathered by surveys, interviews, or literature searches
- outline the major factors involved—the pros and cons
- describe the action it proposes to take

Summary

In the last few years, the Committee has discussed broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. Through these discussions, the Committee fosters a more open and accountable government, and better management of government operations.

Our Office will continue helping the Committee carry out its important responsibilities. To encourage the implementation of the Committee's recommendations, our Office will continue to monitor the status of its recommendations.

Exhibit—Status of outstanding Committee recommendations

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1996	**CR9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans. On March 31, 2000, during review of Chapter 8 of our Spring 2000 Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.	**Partially implemented** (as at December 31, 2004). Plans have consistent estimates of inflation except for SaskTel Pension Plan. No progress during the year.
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at December 31, 2004). Pension plans still need to improve their annual reports. The Government has not yet done a study to decide what type of information pension plan's annual reports should provide. For more information see the related chapter in this report.
2002	PAC concurs: 8-7, that pension plans should verify investment managers' compliance reports.	**Partially implemented** (as at December 31, 2004). All pension plans either have processes in place or are in the process of putting processes in place, except Workers Compensation Board Superannuation Plan.
2002	PAC concurs: 8-1, that the Pension Plans should establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the law, or alternatively, the Pension Plans should seek changes to the law.	**Not implemented** (as at March 31, 2005). Teachers' Superannuation Commission and Workers Compensation Board Superannuation Plan amended their legislation. Other plans do not as yet have adequate rules and procedures to address this recommendation.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Community Resources and Employment		
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department [of Community Resources and Employment] should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2004). The Department does not yet evaluate the effect of case planning.
1999	PAC concurs: 8-1 We recommend the Department [of Community Resources and Employment] should improve its records and document its procedures to ensure single parents receiving social assistance pursue child support.	**Partially implemented** (as at March 31, 2005). The Department has not yet adequately documented its procedures.
1999	PAC concurs: 8-3 We recommend that the Department [of Community Resources and Employment] should ensure that community based organizations (CBOs) submit financial reports to the Department and submit them on time as required.	**Partially implemented** (as at March 31, 2005). Several CBOs still do not submit financial reports to the Department on time as required.
2002	PAC concurs: 6-2, that the Department of Community Resources and Employment should conduct adequate annual reviews to verify that only eligible recipients receive assistance and that they receive the correct amount of assistance.	**Partially implemented** (as at March 31, 2005). Annual reviews are improving but not yet adequate.
Department of Environment		
1999	PAC concurs: 14.21 The Department [of Environment & Resource Management] should define and document its operational and compliance reporting requirements.	**Not implemented** (as at March 31, 2005). No progress in the last year.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 10-2, that the Department of Environment and Resources Management should improve its rules and procedures for preparing and reporting on its prevention program.	**Partially implemented** (as at March 31, 2005). The Department has taken some steps to improve its education and fire prevention activities.
2003	PAC concurs: 14-1 that the Department of Environment and Resource Management should ensure staff follow the Department's established rules and procedures to control the Department's capital assets; and describe the capacity of each major category of capital assets, the extent to which the use of capital assets achieved planned results, and the strategies used to manage major risks of the key capital assets in its annual report.	**Partially implemented** (as at March 31, 2005). The Department has provided limited information on its capital assets in its 2004-05 annual report.
2003	PAC concurs: 14-2 that the Department of Environment and Resource Management should prepare a complete written information technology contingency plan based on a risk analysis and test that plan to ensure that it works. Your committee reports that the Department of Environment and Resource Management is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). The Department has documented some contingency procedures but does not yet have a complete, written and tested IT contingency plan.
Department of First Nations and Métis Relations (formerly part of Government Relations and Aboriginal Affairs)		
1999	**CR67.** In consideration of recommendation 10-2, concerning the inability of the Auditor's Office to discharge its duty with respect to the First Nations Fund, your committee noted that there had been no progress towards resolution of this issue since it was first raised in Chapter 9 of the Spring 1998 Report of the Provincial Auditors (see above). After careful consideration of the issues surrounding this dispute, your Committee came to the conclusion that	**Not implemented** (as at March 31, 2005). The Department provided the Fund with $51.9 million since 2001. The Department stopped making payments to the First Nations Fund in July 2003. The Fund ceased activity December 10, 2004. Our Office has not had access to the records of the Fund since the March 31, 2002 audit. The Department expects to wind up the

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	legislative changes are necessary. Therefore, your Committee recommends the following to the Legislative Assembly: That the Public Accounts Committee recommend that Legislation be amended to clarify the responsibilities of the trustees of the First Nations Fund and to have the fund audited in accordance with the requirements of the Provincial Auditor.	Fund in late 2005.
2003	PAC concurs: 8A-1 that the Department of Intergovernmental and Aboriginal Affairs should supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with the provincial legislation. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2005). See CR67
2003	PAC concurs: 8A-2 that the Trustees should establish rules and procedures to ensure that the First Nations only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act*. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2005). See CR67

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 8A-3 that the Trustees should establish rules and procedures to ensure that the recipient organizations only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act* and the Framework Agreement. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2005). See CR67
2003	PAC concurs: 8A-4 that the Trustees should ensure that all payments comply with the law. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2005). See CR67
2003	PAC concurs: 8A-5 that the Trustees should prepare an annual report that includes: - The Fund's audited financial statements; - The Fund's goals and objectives; - The Fund's planned and actual performance; - The Fund's risks and how the Trustees are managing those risks; and - A list of persons and organizations who have received money from the Fund and the amounts each person and organization received. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Partially implemented** (as at April 15, 2004). See CR67

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Health		
2002	**CR5.** The Standing Committee on Public Accounts recommends that the Department of Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province, and health status objectives for the long term (e.g. 10 years or more) for the highest provincial health needs.	**Partially implemented** (as at March 31, 2002). The Department has started to determine priority health needs, but priorities vary from year to year.
2002	PAC concurs: 1E-2, that the Department of Health should monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status. Your committee reports that progress has been made towards complying with this recommendation.	**Partially implemented** (as at March 31, 2002). The Department has increased its capacity to monitor and report on the achievement of its objectives.
2002	PAC concurs: 2D-1, that boards of Regional Health Authorities (RHAs) should improve the relevance of financial and program information they receive by requesting: 1), timely reports. Boards should request that they receive reports as soon as possible after the end of the reporting period, preferably within 30 days, and at least one week before meetings; 2), reports that describe progress towards goal and objectives. Boards should continue their efforts to define performance measures and should focus their efforts on defining a limited set of key measures that monitor progress toward the board's most critical objectives; and 3), reports that help them look ahead. Reports should include projections or forecasts (e.g., of results, service delivery volumes, staffing levels).	**Partially implemented** (as at March 31, 2005). All implemented except RHAs have not set performance targets to measure progress in meeting objectives.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 2D-2, that boards of RHAs should improve the reliability of financial and program information they receive by ensuring: reports include information about the financial position and program effectiveness of significant affiliates; reports disclose significant assumptions used in preparing projections or forecasts; and RHAs standardize the way they collect and safeguard information.	**Partially implemented** (as at March 31, 2005). Some improvements have been made to improve the reliability of financial and program information but more improvements are needed.
2002	PAC concurs: 6D-1, that all RHAs should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	**Partially implemented** (as at March 31, 2005). Capital equipment plans are improving but still do not contain all key elements of good plans.
Department of Justice		
1999	**CR65.** That the Department of Justice should review its procedures for collecting fines and further, that procedures be developed to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.	**Partially implemented** (as at March 31, 2005). The Department implemented a pilot project in one of the Provincial Court centres during the 2002-03 fiscal year. Information on previous unpaid fines is presented to the Judge for consideration, prior to sentencing. The Department found that limitations in its fines system prevents it from efficiently providing this information to the courts.
2002	PAC concurs: 9-1, that the Department of Justice should: follow its established procedures for recording tickets distributed to law enforcement agencies; and strengthen its procedures to ensure that the Department of Justice records tickets issued by law enforcement agencies are recorded. Your committee reports that progress has been made towards complying with this recommendation.	**Partially implemented** (as at March 31, 2005). The Department has improved its recording of distributed tickets to law enforcement agencies.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Department of Learning		
1999	**CR59.** In consideration of the recommendation made at paragraphs 18.21, 18.22, 18.23 and 18.24, concerning the reporting responsibilities and expectations the Department of Learning has for school divisions under Section 282 of the *Education Act, 1995*, your Committee recommends the following to the Legislative Assembly: The Department of Learning should continue working with the locally elected school boards and other stakeholders to improve public accountability of school divisions with respect to the goals of education.	**Partially implemented** (as at March 31, 2005). The Department continues to work with school divisions to improve public accountability with respect to the goals of education recognizing the mandated role of the school divisions and their current public reporting. Working with school divisions and others, the Department is developing a pre-kindergarten to grade12 Continuous Improvement Framework that will focus on advancing student outcomes; clarifying roles and responsibilities; and implementing a planning cycle to advance common system-wide and local priorities. It expects to implement the Framework over a three-year time beginning December 2005.
1999	**CR60.** The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Institute Chartered of Accountants] CICA.	**Partially implemented** (as at March 31, 2005). School divisions implemented the accounting and reporting manual effective January 1, 2002. Implementation of this manual moves school division financial reporting closer to recommended CICA standards. The Department continues to work with the Saskatchewan Association of School Business Officers to improve on the financial reporting standards and full compliance.
1999	**CR68.** The Department of Learning should verify critical information on student loan applications.	**Partially implemented** (as at March 31, 2005). The Department made some improvements to when and how it verifies certain critical information on student loan applications. Further changes are planned.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 4B-1 that the Department of Learning should improve how it documents its use of information about resources in its curriculum maintenance processes.	**Partially implemented** (as at March 31, 2004). The curriculum development units of the Department work through regional office personnel to determine available resources within school divisions for supporting particular curriculum renewal projects. Each project area documents analysis and use of information about resources. In addition, a curriculum renewal policies and procedures manual is being drafted to support documentation and guide future curriculum renewal processes.
Board of Internal Economy		
2003	**CR1.** The Standing Committee on Public Accounts recommends to the Assembly that those chapters of the Provincial Auditor's Reports dealing with the Board of Internal Economy be referred to the Board for its review and consideration.	**Not implemented** (as at March 31, 2005).
Information Technology Office		
2002	PAC concurs: 9-2, that the Government should establish minimum policies over its shared systems and ensure that adequate policies are developed and implemented, distributed and monitored for compliance.	**Partially implemented** (as at March 31, 2005). The Information Technology Office has created draft security policies. Our Office will follow up on this recommendation in 2005.
Liquor and Gaming Authority		
1999	PAC concurs: 9-2 We continue to recommend the [Liquor and Gaming] Authority should update its written contingency plan and test the plan.	**Partially implemented** (as at March 31, 2005). The Authority has developed some procedures over the past year. It has also appointed a project leader and developed terms of reference for a business continuity plan that encompasses a written contingency plan.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6B-4 that the Board of Directors of the Saskatchewan Indian Gaming Authority should define its operational and financial information needs and communicate those needs to management for regular reporting. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA has defined its financial reporting needs. SIGA's Board has made progress defining its operational reporting needs.
2003	PAC concurs: 6B-5 that the Saskatchewan Indian Gaming Authority should establish complete written policies for management and staff pay, benefits, development, and performance evaluation. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA has developed policies in these areas but needs to comply with approved policies.
2003	PAC concurs: 6B-6 that the Saskatchewan Indian Gaming Authority should establish policies and procedures for its marketing and promotion activities. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA has developed policies and procedures in many areas of marketing and promotion but needs to comply with approved policies.
2003	PAC concurs: 6B-7 that the Saskatchewan Indian Gaming Authority should ensure that the staff complies with the sponsorship policy. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA's compliance with their sponsorship policy continues to improve.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6B-8 that the Saskatchewan Indian Gaming Authority should establish rules and procedures to ensure all staff comply with its delegation of authority policy. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA's compliance with this policy is improving.
2003	PAC concurs: 6B-9 that the Saskatchewan Indian Gaming Authority should establish accounting policies and procedures to ensure that its books and records reflect its business operations and there is support for all transactions. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA has developed policies in some of these areas but requires more policies in the areas of: proper support for payments, adjustments to financial records, transfers between bank accounts, and monitoring of cash discrepancies.
2003	PAC concurs: 6B-10 that the Saskatchewan Indian Gaming Authority should properly segregate the duties of its employees. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2005). SIGA has made progress in this area but still some weakness in payments documentation (which would show segregation).
Saskatchewan Crop Insurance Corporation		
2002	PAC concurs: 4-2, that the Saskatchewan Crop Insurance Corporation's management needs to provide better information to the Board on operating divisions' plans and performance reports on how divisions are doing compared to what they planned.	**Partially implemented** (as at March 31, 2005). Saskatchewan Crop Insurance Corporation continues to work to improve its performance reporting.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 4-3, that the Saskatchewan Crop Insurance Corporation should improve the guidance it gives to the claim adjusters to enable them to identify suspicious claims; and further that the Saskatchewan Crop Insurance Corporation should also establish written rules and procedures for investigating suspicious claims.	**Partially implemented** (as at March 31, 2005). Saskatchewan Crop Insurance Corporation has documented guidance for identifying suspicious claims. However, the Corporation has not yet established processes for investigating suspicious claims.
2002	PAC concurs: 4-4, that the Saskatchewan Crop Insurance Corporation should ensure that adjusters leave clear evidence of work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2005). Saskatchewan Crop Insurance Corporation continues to improve the documentation of its adjusters' work.
2002	PAC concurs: 4-5, that the Saskatchewan Crop Insurance Corporation should ensure that auditors leave clear evidence of the work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2005). The Audit Division plan indicates the number and type of claims that will be audited and when based on risks but needs to document the rationale for the number and type of claims being audited.
Saskatchewan Property Management Corporation (including Government e-mail system)		
2002	PAC concurs: 9-1, that the Saskatchewan Property Management Corporation should set specific performance measures for GEMS and report on whether it met those objectives; and further that SPMC should communicate the overall objectives and the performance measures to all GEMS users.	**Partially implemented** (as at October 31, 2005). Saskatchewan Property Management (formerly Saskatchewan Property Management Corporation) has told us they have set performance measures for GEMS. Our Office has not yet followed up on this recommendation.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 9-3, that SPMC should develop and test a complete disaster recovery plan for GEMS. This would include a complete threat and risk assessment to ensure the measures taken to ensure the availability of GEMS are appropriate and cost effective.	**Partially implemented** (as at October 31, 2005). Saskatchewan Property Management (formerly Saskatchewan Property Management Corporation) has told us they have developed a disaster recovery plan for GEMS. Our Office has not yet followed up on this recommendation.
2002	PAC concurs: 9-4, that the Government should evaluate the requirements of *The Archives Act* and develop processes to help departments and agencies comply with the requirements of *The Archives Act* for e-mail.	**Partially implemented** (as at October 31, 2005). The Saskatchewan Archives Board has drafted a policy. Our Office has not yet followed up on this recommendation.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year.

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Office.

2001, c.32, s.13.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix

2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at July 31, 2005.

This Appendix includes the status of those audits at October 31, 2005. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2005 Rpt V2
Departments and Secretariats:			
Department of Agriculture and Food (formerly Department of Agriculture, Food and Rural Revitalization)	March 31	Complete	Yes/2005 Rpt V3
Department of Community Resources and Employment	March 31	Complete	Yes/2005 Rpt V1 & V3
Department of Corrections and Public Safety	March 31	Complete	Yes/2005 Rpt V3
Department of Culture, Youth and Recreation	March 31	Complete	No
Department of Environment	March 31	Complete	Yes/2005 Rpt V1 & V3
Department of Finance	March 31	Complete	Yes/2005 Rpt V2 & V3
Department of First Nations and Métis Relations	March 31	Complete	Yes/2005 Rpt V1 & V3
Department of Government Relations	March 31	Complete	Yes/2005 Rpt V1
Department of Health	March 31	Complete	Yes/2005 Rpt V1 & V3
Department of Highways and Transportation	March 31	Complete	Yes/2005 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/2005 Rpt V1 & Note 3
Department of Justice	March 31	Complete	Yes/2005 Rpt V1 & V3
Department of Labour	March 31	Complete	No
Department of Learning	March 31	Complete	Yes/2005 Rpt V1 & V3
Department of Northern Affairs	March 31	Complete	Yes/2005 Rpt V3
Department of Property Management	March 31	Note 5	
Department of Rural Development	March 31	Note 5	
Executive Council	March 31	Complete	Yes/2005 Rpt V3
Information Technology Office	March 31	Complete	Yes/2005 Rpt V3
Crown agencies:			
101000606 Saskatchewan Ltd.	December 31	Note 2	
101000607 Saskatchewan Ltd.	December 31	Note 2	
101005716 Saskatchewan Ltd.	December 31	Complete	No
101027596 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 5	
3339807 Canada Ltd.	December 31	Note 2	

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
3364381 Canada Ltd.	December 31	Note 2	
610277 Saskatchewan Ltd.	December 31	Complete	No
617275 Saskatchewan Ltd.	December 31	Complete	No
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Council	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	Yes/2005 Rpt V3
Avonlea Holding, Inc.	December 31	Note 2	
Battleford International, Inc.	December 31	Note 2	
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Delayed	
Business Watch International Inc.	December 31	Complete	No
Business Watch International (US) Inc.	December 31	Note 2	
Carlton Trail Regional College	June 30	Complete	No
Chicken Farmers of Saskatchewan	December 31	Note 1	
CIC Foods Inc.	December 31	Complete	No
CIC FTLP Holdings Inc.	December 31	Complete	No
CIC FTMI Holdings Inc.	December 31	Complete	No
CIC OSB Products Inc.	December 31	Complete	No
CIC Pulp Ltd.	December 31	Complete	No
CIC PVF Holdings Inc.	December 31	Complete	No
CIC Swine Genetics Holdings Inc.	December 31	Complete	No
CIC Swine Genetics Inc.	December 31	Complete	No
CIC Swine Genetics (NL) B.V.	December 31	Complete	No
CIC WLSVF Holdings Inc.	December 31	Complete	No
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Note 4
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2005 Rpt V1
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
DirectWest Corporation	December 31	Complete	No
Esterhazy Holding, Inc.	December 31	Note 2	
First Nations Fund	October 31, 2004	Denied Access	
Five Hills Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Government House Foundation	March 31	Complete	No
Gradworks Inc.	December 31	Note 5	
Health Quality Council	March 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Heartland Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 2	
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 2	
Information Services Corporation of Saskatchewan	December 31	Complete	Yes/2005 Rpt V1
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Swine Inc.	September 30	Complete	No
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2005 Rpt V3
Liquor Board Superannuation Commission, The	December 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Inc. Pension Plan	December 31	Complete	No
Navigata Communications Ltd. (formerly Pleasantdale Holding, Inc.)	December 31	Note 2	
Navigata Communications Partnership	December 31	Complete	No
Navigata Holding CCIV, Inc. (formerly Dundurn Holding, Inc.)	December 31	Note 2	
Nokomis Holding (U.S.), Inc.	December 31	Note 2	
North West Regional College	June 30	Rotational	
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	Yes/2005 Rpt V3
Parkland Regional College	June 30	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Prairie West Regional College	June 30	Rotational	
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2005 Rpt V3
Public Service Commission	March 31	Complete	Yes/2005 Rpt V1
Public Service Superannuation Board	March 31	Complete	Yes/2005 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 2	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Sask Pork	July 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Delayed	Yes/2005 Rpt V3
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Canola Development Commission	July 31	Delayed	
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	No
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Forage Seed Development Commission	June 30	Note 5	
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2005 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Note 4
Saskatchewan Mustard Development Commission	July 31	Delayed	
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2005 Rpt V1
Saskatchewan Property Management Corporation	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	
Saskatchewan Telecommunications	December 31	Complete	Yes/2005 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2005 Rpt V1

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Valley Potato Corporation	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	Yes/2005 Rpt V1
Saskatoon 2 Management Ltd.	December 31	Note 2	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	Yes/2005 Rpt V1
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	
SaskTel Holding (U.K.) Inc.	December 31	Note 2	
SaskTel International Consulting, Inc.	December 31	Note 2	
SaskTel International (Tanzania) Ltd.	December 31	Note 2	
SaskTel Investments Inc.	December 31	Note 2	
SaskTel New Media Fund Inc.	December 31	Note 2	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 2	
Southeast Regional College	June 30	Complete	Yes/2005 Rpt V3
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
STI Communications Pty Limited	December 31	Note 2	
Sun Country Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2005 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Delayed	

Appendix 2

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
TecMark International Commercialization Inc.	March 31	Complete	No
TransGas Limited	December 31	Complete	No
Unity Holding, Inc.	December 31	Note 2	
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 2	
Wadena Holding, Inc.	December 31	Note 2	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2005 Rpt V1
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2005 Rpt V1
Xavier Holding, Inc.	December 31	Note 2	
Yellowgrass Holding, Inc.	December 31	Note 2	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	Yes/2005 Rpt V1
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2005 Rpt V1 & V3
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources and Employment Central Trust Account	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Complete	Yes/2005 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	Yes/2005 Rpt V1 & V3
Forest Fire Contingency Fund	May 27	Complete	No
General Revenue Fund	March 31	Complete	Yes/2005 Rpt V3
Horned Cattle Fund	March 31	Complete	No

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2005 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	Yes/2005 Rpt V1
Office of the Rentalsman--Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	Yes/2005 Rpt V3
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2005 Rpt V1 & V3
SAHO Core Dental Plan Fund	December 31	Delayed	Yes/2005 Rpt V3
SAHO Disability Income Plan – CUPE Fund	December 31	Delayed	
SAHO Disability Income Plan – SEIU Fund	December 31	Delayed	
SAHO Disability Income Plan – General Fund	December 31	Delayed	
SAHO Disability Income Plan – SUN Fund	December 31	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	Yes/2005 Rpt V3
SAHO Master Trust Combined Investment Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	Yes/2005 Rpt V3
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Delayed	
Saskatchewan Chicken Industry Development Fund	December 31	Note 1	

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Saskatchewan Chicken Industry Investment Fund	December 31	Note 1	
Saskatchewan Chicken Marketing Plan Trust Fund	December 31	Note 1	
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2005 Rpt V3
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Delayed	
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2005 Rpt V3
Chief Electoral Office	March 31	Complete	Yes/2005 Rpt V3
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No

Agency	Year end on or before July 31, 2005	Status at October 31, 2005[1]	Significant issues reported[2]
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Saskatchewan Population Health Evaluation and Research Unit, Inc.	April 30	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: We audit these agencies in a different way.

In 1998, the Department of Agriculture, Food and Rural Revitalization and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard public resources and to comply with legislative authorities.

Note 2: These entities are wholly or partially-owned subsidiaries of Saskatchewan Telecommunications Holding Corporation (Corporation). They are included in the consolidated financial statements of the Corporation. For the year ending December 31, 2004, these entities did not carry out active operations.

Note 3: For 2005, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 4: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 5: These agencies were recently created or became a Crown agency. For these agencies, December 31, 2005, March 31, 2006, and June 30, 2006 are their first year-ends. The status of the audits of these agencies will be provided in future reports.

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[1] "Complete" – the audit was complete at October 31, 2005.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2005 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.
"Yes/2005 Rpt V1" – significant issues were reported in our 2005 Report – Volume 1.
"Yes/2005 Rpt V2" – significant issues were reported in our 2005 Report – Volume 2.
"Yes/2005 Rpt V3" – significant issues are reported in our 2005 Report – Volume 3.

Appendix 3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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